By Mr. Gwathmey:

Q. They have acted on it, have they not? Did you see the order that came out on it the other day?

A. No, I didn't. I showed the rates for comparison. I wanted to show that even with all these increases added that giveing them a total of 58 percent, I believe it is, in Texas, that particularly their two-line rates are much lower than some of our single line rates in Florida.

By Mr. Hillery:

Q. Going back for a moment to Exhibit 85, I don't believe you stated the fact of exactly how these Florida combination rates to Fernandina are constructed, did you?

A. No, I don't believe I did. But let's just assume for the sake of commentation that we have a car of wood that originates at a point on the Atlantic Coast Line and it is a 50 mile haul to the junction for the Seaboard and a 50 mile haul into Fernandina. The rate for the 50 miles on the Atlantic Coast Line would be the one-tenth of class P rates less ten percent or $2.22 and one-half cents per unit, to which must be added $2.14 for the 50 miles on the Seaboard Air Line or a total of $4.36 and one-half cents for a 168 foot unit. So we pay a penalty of $1.44 per unit when we draw a two line haul into our Fernandina plant.

Q. As to investment in terminal facilities, do the railroads have to have any particular warehouses or tracks and [fol. 559] so forth, for the pulpwood traffic to your plant?

A. No, sir.

Q. Do they have any at points of origin?

A. They have some loading docks around some places, but most places they don't even have sheds. They just have a railroad siding.

Q. Is that a siding ad-acent to the main line?

A. Correct.

Q. And the farmer loads his cars there on the siding?

A. That is right.

Q. Have you provided your own tracks at Fernandina?

A. Yes, we have got side tracks valued at about 92 thousand dollars inside our plant property.

Q. Does that include platforms and things of that sort?

A. Exclusive of the loading platform.

Q. Do you have any locomotive power of your own for spotting within the plant?

A. Yes, we have a locomotive crane which is used primarily for unloading pulpwood from cars but can be used to switch one or two cars around if we need that.

Q. What was your investment in that crane?

A. About 25 thousand dollars.

Q. Are all your pulpwood cars delivered to your plant? Do they use public tracks to Fernandina?

A. No these old cars are shoved right into our yards. [fol. 560] Q. How are they brought in? From time to time during the day?

A. They come in once a day and they bring in these 20 cars and place them all at one time.

Q. Is any respotting done by the engine after it comes in?

A. Occasionally there might be, where probably they brought cars in in excess of what we could take care of unloading and they were put in some other track and the next day they come in and respot, but that is not the usual thing.

Q. When they arrive in Fernandina, do they have to take and cut that up and select particular cars?

A. No, not as a general rule.

Q. In Exhibit 87 you point out the various differences in pulpwood stations in numerous Southern states. Have the East Florida pulpwood mills given any thought to that matter with some idea of seeking some uniformity in these rates?

A. Did you say East Florida mills?

Q. Yes.

A. Yes, the Southern paper traffic conference, of which I am a member, and all the mills in the South,—Traffic Managers of all mills in the South, are members of that association; for several years we tried to get together and go to the carriers and try to get this pulpwood scale within the whole South, or throughout the south made uniform. About two and a half months ago we all got together on that in perfect agreement and went to the railroads and pre- [fol. 561] sented our case to them. We offered that if they were willing to accept fifty percent overall increase on the rates in effect prior to Ex Parte 123 that we would go to our various State Commissions, each mill in its own state

would go to the State Commissions and do everything possible to try to get the State Commissions to let them raise the rates and make them all the same, interstate and intrastate and tied in with the fact that every mill certainly draws a lot of interstate wood. So we don't believe that the carriers would be any worse off if they accepted our offer. They would have to reduce the increases they have added to interstate rates, but we feel sure they'd be much better of in the long run because of the preponderance of interstate wood going into the mills. They haven't acted on that suggestion.

Q. To what committee was that presented?

A. Pardon me?

Q. To what committee was that presented?

A. To the Southern Executives and that happened about two months ago.

Q. Executives of the Southern Railways?

A. Executives of the Southern Railways.

Q. Was one of the purposes to avoid this series of cases and litigation in the various states over pulpwood?

A. Yes, that was really behind it.

Q. Have these proceedings in these various states been of any concern to the Southern Pulp and Paper Association?

[fol. 562] A. Yes, they have been given serious consideration to all the mixed up condition of rates down South where competition is paying 20 percent less than you are and so forth. That was the first time that we have ever got all the mills to agree to any such thing.

Q. In mentioning the rates on Exhibit 86, are all of those states,—do they have scales which approximate the basic Roanoke Rapids scale and increases applied to those scales or are they different scales?

A. All rates shown for all those Southern States, with the exception of Tennessee,—no, with the exception of Mississippi, I should say,—are the Roanoke Rapids scale. Of course, the Mississippi scales are on a different basis.

Q. Are the Texas rates shown in Exhibit 87 on that Roanoke Rapids scale?

A. No, they are not. I don't know what the basis for those rates are.

Q. Is there anything I have overlooked you want to bring out?

A. I don't think so.

Cross-examination.

By Mr. Gwathmey:

Q. I believe you said you represent the Container Corporation of America?

A. That is correct.

Q. Does your company operate plants in the various parts of the country?

[fol. 563] A. Yes, three different parts of the United States.

Q. What sections, speaking generally?

A. In all sections of the country, every major territory in the country.

Q. Was the Container Corporation actively represented in the proceedings before the Interstate Commerce Commission in Ex Parte 166?

A. 166? We did not oppose the carriers in any respect on outbound rates, but we did object to any further increases on our pulpwood.

Q. Pulpwood?

A. Yes, sir.

Q. Other paper manufacturers and users of pulpwood also appeared in and introduced extensive testimony before the Interstate Commerce Commission, did they not in that case?

A. Yes.

Q. They were well represented?

A. Yes, the whole paper group were together on that.

Q. Did the paper industry not present before the Interstate Commerce Commission some of the same arguments you are presenting here today as to why there should be no more increases in pulpwood rates?

A. I don't know if they were the same. They were similar, of course, because we have been very much alarmed at the greatly increased rates on our raw materials.

[fol. 564] Q. In all these proceedings of one sort or another, one of your principal difficulties has been such a

wide variation in intrastate rates in the various Southern States, isn't that right?

A. Yes, sir.

Q. Just one question about your exhibit No. 86 where you show the intrastate rates in South Carolina. You don't mean to suggest that the rates shown in column five apply generally in South Carolina, do you?

A. No, sir.

Q. They are limited?

A. No, sir, that implies Georgetown and Hartsville, South Carolina.

Q. On Seaboard Air Line?

A. Yes, sir.

Q. Up to the comparatively recent recession or depression, or whatever you choose to call it, when the paper industy business has been falling off,—we all know the demand has been very active for a number of years for paper products.

A. Yes, for about ten.

Q. And isn't it true that the manufacturers were really reaching out for pulpwood almost anywhere they could get it?

A. That was a labor situation brought on by the war and we had to go much greater distances than in normal times.

Q. In some instances pulpwood moved as far as three or [fol. 565] four hundred miles?

A. I think that is true during the war. I doubt that is going to continue or is continuing now.

Mr. Gwathmey: I think that is all.

Comm. Patterson: You are excused.

Mr. Hillyer: I have a few more questions.

Redirect examination.

By Mr. Hillyer:

Q. Would you care to state approximately the total freight charges on inbound material and outbound at Fernandina?

A. For the year 1948 on inbound pulpwood the freight bill was around $450,000 and the outbound transportation

bill on finished products was about a million and a half dollars. That is almost two million dollars.

Mr. Hillyer: That is all I have to ask.

Comm. Patterson: You are excused.

(Witness excused.)

Mr. Hillyer: I would like to offer exhibits 84 to 87, inclusive in evidence.

Comm. Patterson: There being no objection, the same will be received for the record.

(Exhibits Nos. 84 to 87, inc., Witness Gordon, received in evidence.)

Mr. Hillyer: We have a man from the plant to follow Mr. Gordon. Would you like to hear him? It will only take a few minutes.

[fols. 566-567] Comm. Patterson: We've got to recess. Off the record.

(Off the record.)

Comm. Patterson: On the record. We will recess until nine o'clock tomorrow morning.

(At 5:10 o'clock p. m., June 29 1949, hearing adjourned to 9:00 o'clock a. m., June 30, 1949.)

[fols. 568-569] Ocean Room
Sheraton Plaza Hotel
Daytona Beach, Florida
Friday, July 1, 1949.

Met pursuant to adjournment at 9:00 o'clock a. m.

[fol. 570] PROCEEDINGS.

Comm. Patterson: Come to order. You may proceed, gentlemen. Mr. Hillyer, I think you had a witness to go on this morning?

Mr. Hillyer: Yes, sir, we have four ready.

R. Y. Patterson was sworn and testified as follows:

Direct examination.

Mr. Hillyer: I expected to introduce Mr. Patterson's testimony in question and answer form and we prefer to do it that way. Of course, we will be guided by our wishes.

Comm. Patterson: I think perhaps we would save time by putting it in as an exhibit and we will identify it as Exhibit No. —. Off the record.

(Discussion off the record.)

Comm. Patterson: On the record.

By Mr. Hillyer:

Q. State your name, address and occupation?

A. R. Y. Patterson, Vice President, Engineering, United States Sugar Corporation, Clewiston, Florida.

Q. In what business is your company engaged?

A. In the growing of sugar cane, transporting the sugar cane to the mill, making the sugar cane into raw sugar and blackstrap, and the outbound shipment of raw sugar and blackstrap to interstate destinations.

Q. State your business experience briefly?

[fol. 571] A. Most of my life has been devoted to the construction, maintenance and operation of railroads, such as and including lines of the Southern Pacific in Arizona, New Mexico; the Frisco System, including the construction of the line north from Pensacola, Florida, the New Haven, New York Central and Boston & Albany, in their Engineering Departments; I was also in charge of the construction of the Conners Highway.

Q. Have you worked with any well-known engineers?

A. Yes, I worked under Mr. John F. Stevens in the valuation of the New Haven. Mr. Stevens is known as the builder of the Panama Canal. I also worked with Professor George F. Swain, head of the Engineering School of Harvard University, in connection with the revaluation of the New York Central.

Q. Describe briefly the nature of your duties with your company as Vice President?

A. I have charge of the operation of conveying the cane

from the loading points in the various fields to the mill, including the weighing of the cane and the hauling and unloading of the cane. I also have charge of the shipment of the outbound manufactured products. That, *of* course, entails a lot of detail, such as preparing bills of lading, etc., keeping of all records pertaining to transportation; keeping track of the routing of both outbound and inbound products, and all general contacts with the railroads on any kind of business. I also have charge of engineering matters in [fol. 572] connection with the location, construction and maintenance of tracks, loading hoists, unloading equipment, track scales, and the rail equipment in which the can is handled, and the operation of the terminal yards at Canal Point and Clewiston. I also have charge of the maintenance and construction of the intermediate loading sidings.

Q. Do you own any locomotives used in the handling of your company's traffic?

A. Two of the locomotives are used in the sugar cane fields east and south of Canal Point, where connection is made with the Florida East Coast. Five steam locomotives, which are owned by this company, are assigned to the operations of the company in the vicinity of Clewiston.

Q. Do you own any equipment which is used for your sugar cane traffic?

A. Yes, all of the equipment used for *us*gar cane is especially constructed for this traffic. The cars are open cars with high racks built on to the sides.

Q. How many of those cars do you own?

A. We own and maintain 469 of these cane cars which are devoted exclusively to the hauling of sugar cane to the Clewiston mill. All of our sugar cane moves exclusively in our own equipment and no*en* in railroad owned cars or equipment.

Q. Who performs the weighing of your inbound shipments of cane and outbound products?

[fol. 573] A. We do and at our own expense. We have two one hundred ton standard railroad track scales which are located at our Clewiston mill for the weighing of inbound shipments of sugar cane and outbound shipments of sugar and blackstrap.

Q. Do you own and maintain sidetracks for loading sugar cane?

A. Yes, we own and maintain sidings and specially constructed hoists for loading sugar cane onto our cane cars at 20 points, four of which are on the Florida East Coast between Canal Point and Lake Harbor, seven of which are on the Atlantic Coast Line between Moore Haven and Lake Harbor, and eight are east and south of Canal Point on our own tracks, and one is located in our yard at Clewiston.

Q. What is the total trackage of railroad, owned, operated and maintained by the sugar company?

A. We own and maintain 11.84 miles of railroad tracks east and south of Canal Point. In our Clewiston operations, we own and maintain 16.12 miles of road. The loading of sidings which run from the Atlantic Coast Line and Florida East Coast between Moore Haven and Canal Point which are owned and maintained by us total 5.45 miles of connecting switch tracks. Th-s makes a combined total of 33.41 miles of railroad which we own and maintain. The operations of engines on all but 5.45 miles of these tracks is performed by the sugar company exclusively.

[fol. 574] Q. What is the length of the road of the Florida East Coast from Canal Point plus the length of the Atlantic Coast Line to the loading point farthest west of Clewiston?

A. 41 miles.

Q. Then all of these sugar cane operations are confined to 41 miles outside limit?

A. Yes.

By Comm. Patterson:

Q. Is all this service on that 41 miles performed by your company? Do they perform all the service on this 41 miles?

A. No, the service on the 41 miles is performed by the carriers. My statement is the only of ownership of that track, of the track auxiliary to the carrier track.

Q. And in the performance of that service, the carriers use your equipment?

A. Yes.

By Mr. Gwathmey:

Q. I don't like to interrupt, but the Commissioner asked if the carriers use your equipment and you said yes.

A. No, the cars.

Q. Use your cars and you pay—and they pay you a rental and use their own engines?

A. Yes, sir.

By Comm. Patterson:

Q. The carriers own the engines and the sugar company own the cars?

[fol. 575] A. Yes, sir.

By Mr. Hillyer:

Q. Are you speaking now of the two lines of common carrier railroad, the 41 miles on which they operate your engines and your cars and then on 33.41 miles you operate your own engines and your own cars?

A. Yes.

Q. That is in addition to the 41 miles of company carrier tracks?

A. Yes, we operate on the terminal yards.

Q. Will you summarize briefly your investment in railroad transportation facilities which are owned and maintained by you and used in the transportation of sugar cane?

A. Our 33.41 miles of yard tracks and outside loading tracks represent an original cost today of $586,030.35. Our facilities at loading sites, exclusive of cane hoists (excluding loading costs and rights of way) represent an investment of $300,425.04. Our seven locomotive, 469 cane cars, 2 water tank cars, three flat cars, three labor cars and forty-two other cars, represent an investment of $955,588.46.

This makes a total investment in railroad transportation facilities, power, and rolling stock of $1,541,618.81. This investment is exclusive of the cost or value of the land upon which our railroad facilities are located and 20 cane hoists installed which cost about $400,000.

Mr. Gwathmey: We are having a little difficulty in hear-

[fol. 576] ing you. Would you mind trying to speak a little louder? Thank you.

A. This makes roughly in round numbers around $2,000,000 in investment in our own rail facilities and hoists.

Q. In the railroad facilities and hoists?

A. Yes.

By Mr. Hillyer:

Q. Were you put to any expense in the acquisition of land in order to secure common carrier railroad service from your cane fields east of Canal Point to your plant at Clewiston?

A. Yes, before our plant was built at Clewiston, the Atlantic Coast Line, which goes around the west side of Lake Okeechobee terminated at Clewiston. The Florida East Coast, extending south around the east bank of Lake Okeechobee terminated at Belle Glade. This left a distance of about 18 miles between the terminus of the Atlantic Coast Line at Clewiston and the terminus of the Florida East Coast at Belle Glade.

In order to induce the carriers to build the line from Belle Glade to Clewiston, we had to acquire at our own expense land for the right of way from Belle Glade to Clewiston.

We acquired the land and gave it outright to the common carrier railroads. Thus the Florida East Coast was given the land from Lake Harbor to Clewiston on which to build the lines which provided the connecting link for these two carriers on the south of Lake Okeechobee.

[fol. 577] The cost of this land which we gave to the Florida East Coast and the Atlantic Coast Line was a very substantial one, and about $75,000.

Q. What is your total investment in rail facilities, including donated land, but excluding your own land?

A. Our total investment in tracks, power, rolling stock, cane hoists, and donated land, equals about $2,016,618, not including any land upon which our own tracks are located. In other words, about $2,000,000 has been expended by my company for railroad tracks, equipment and facilities, and cost of land from Belle Glade to Clewiston which was donated to the carriers.

Q. Are the tracks of the Atlantic Coast Line from Clewiston to Lake Harbor and the line of the Florida East Coast from Lake Harbor to Belle Glade used exclusively for the movement of inbound sugar cane to your mill at Clewiston?

A. No, since the building of that line there has been a substantial new development of the growing of vegetables along that line and the location and development of new com-

munities, such as South Bay, Bean City, Lake Harbor, and in Belle Glade south of the Canal.

Q. Is there any production on the line between Belle Glade and Canal Point?

A. Yes, there is a tremendous production of fruits and vegetables on the Florida East Coast between Belle Glade [fol. 578] and Canal Point. There are many thousands of cars of vegetables shipped from that area. I doubt if there is any other area in the South where there is such a high volume of fruits and vegetable traffic originated on any one line of railroad for that short length of haul between Belle Glade and Canal Point.

Q. What is the principal point at which the Florida East Coast or the Atlantic Coast Line picks up cars of sugar cane?

A. By far the most important point is Canal Point on the Florida East Coast. In 1946-47 harvest season, we turned over to the Florida East Coast at Canal Point on the interchange tracks, 15,990 cars out of the grand total of 31,481 cars of cane handled by the Florida East Coast.

Q. How many cars were turned over to the Florida East Coast at Canal Point in 1947-1948?

A. A total of 12,007 out of a grand total of 24,954 cars of cane handled by the Florida East Coast.

Q. What were the similar figures for the 1948-1949 season?

A. We handed to the Florida East Coast at Canal Point in the 1948-1949 season 15,301 out of a total of 28,396 cars of cane handled by the Florida East Coast.

Q. This does not include the cars picked up by the Coast Line west of Clewiston?

A. No.

Q. That is merely the Florida East Coast cars?

[fol. 579] A. Florida East Coast cars east of Lake Harbor.

Q. Will you describe briefly the service performed by the Florida East Coast at Canal Point in picking up these cars, Mr. Patterson?

A. In the area east and south of Canal Point where we have 11.84 miles of our own track reaching through the cane fields we do all of the placing of strings of empties and picking up the loaded cars with our own engines.

The Florida East Coast delivers strings of empties to us on an interchange track owned by us at Canal Point. At the same time that engine then hooks on to a long string of loaded cars which we have assembled for them and which are ready and waiting on the interchange track and the Florida East Coast hauls those cars down to Lake Harbor, picking up cars at some of the five loading tracks as they go along. At Lake Harbor the entire train of loads, including the caboose, is left on a track of the Atlantic Coast Line and an Atlantic Coast Line engine picks up the train and may pick up a few of the loads between Lake Harbor and Clewiston, taking the train over to the interchange yard at Clewiston. There we hook on to the train of loads and take it into our mill. The Coast Line engine then picks up the train of empty cars on our yard tracks and most of them go to the Florida East Coast at Lake Harbor where the Florida East Coast engine merely hooks onto the train of empty cars and takes them up northeastward along its line. Some of them go out to the different Coast Line loading tracks. Most [fol. 580] of the Florida East Coast train of empties is left at our interchange tracks at Canal Point.

Q. From your knowledge of the handling of freight by railroad, how would you describe this service of the Florida East Coast from Canal Point to Lake Harbor?

A. As to the loaded cars which are made up into trains for them by our switch engines and handed to them at the interchange yard at Canal Point, I would describe this movement to Lake Harbor of those cars by the Florida East Coast as the movement of an intermediate carrier between our line on the one hand to Canal Point, and the Atlantic Coast Line at Lake Harbor on the other side. The Florida East Coast service is less expensive to it than that of an ordinary intermediate carrier in that at times we boost the train for the Florida East Coast with our engine.

By Mr. Gwathmey:

Q. What do you do to those trains?

A. Boost them out.

Comm. Patterson: They help them out.

Mr. Gwathmey: Thank you, I didn't understand.

A. All the Florida East Coast does is to hook on the caboose at Canal Point. At Lake Harbor they do not even take off the caboose; there is no intermediate line switching, classification switching, or yard switching anywhere from the time the Florida East Coast hooks on at Canal Point until it cuts loose at Lake Harbor.

[fol. 581] By far the most important loading point is Canal Point where these trains of loaded cars are handed to the Florida East Coast and the movement from Canal Point to Clewiston is the very longest haul of any of the cane traffic. The total revenue net ton miles originated at Canal Point for the season 1948-1949 was 68.5 percent of the total revenue net tons miles for the entire sugar cane movement to Clewiston via both lines.

Q. On the cars which are handled first by the Florida East Coast and then by the Atlantic Coast Line from Lake Harbor to Clewiston, how would you describe that movement by the Atlantic Coast Line?

A. That movement, I would describe, as being that of an intermediate carrier, as between the Florida East Coast on the one hand, and the engines of the sugar corporation on the other hand.

Q. When those loads come into Clewiston, where are they placed? Are they placed in your own yard?

A. Yes, in our own yard tracks.

Q. Is there any switching of empties performed by the Florida East Coast or the Atlantic Coast Line in connection with your movements of sugar cane which you would designate as classification switching?

A. No, there is no classification switching of empties performed by the Florida East Coast or the Atlantic Coast [fol. 582] Line. The empty trains are made up by our engines on our property at Clewiston, and the Atlantic Coast Line merely has to couple to the train, hook up the air, test it, and go. There is no classification switching at Lake Harbor, where the trains of empties are turned over to the Florida East Coast by the Atlantic Coast Line. There is no classification switching at Canal Point of the empties. All of the empties are merely left just at the connection of the Florida East Coast with our line of road, without any car spotting or switching whatsoever. The loaded movement in the reverse direction is the same. There is no

classification switching performed by the trunk lines whatsoever at Canal Point, Lake Harbor, or Clewiston.

Q. Describe briefly the local pick up service on the Coast Line at other special loading tracks which you have designated?

A. The Coast Line engine taking the empties out of our yard tracks going to a local siding on its line in the direction of Moore Haven, would cut off the required number of cars at the head end and place them in the parallel sidings. Upon the return of the engine it picks up the loads from the other end of the siding, the cars having been loaded in the direction of the mill. This obviates any switching at the loading hoists. That is the very simplest type of pick-up service.

[fol. 583] Q. Can you give a close approximation of the average number of cars per train operated in the handling of your sugar cane?

A. Yes, we have very complete and accurate records from which such figures can be determined. During the 1946-'47 harvest we operated 1,031 empty trains. These trains handled 49,250 cars or an average of 47.77 cars per train.

Now to break this down between the Florida East Coast and the Atlantic Coast line, the Florida East Coast handled 552 trains, which delivered 31,862 empty cars to the fields. This is an average of 57.72 cars per train.

The Atlantic Coast Line operated 479 trains of empty sugar cane cars, which handled 17,388 cars or an average of 36.30 sugar cane cars per train.

In making this separation it should not be overlooked that the 552 trains handled by the Florida East Coast left Clewiston via the Atlantic Coast Line and these are not included in the Atlantic Coast Line trains which represent only the trains handled by the Atlantic Coast Line alone. The trains were shown in this manner just as if the Florida East Coast were a separate operation all the way from Clewiston to Canal Point. The Atlantic Coast Line figure of 479 trains covers only the empties destined to Atlantic Coast Line stations.

[fol. 584] The loaded movement in number of cars is practically the same as the number of empty cars handled by the Coast Line and the Florida East Coast respectively. This does not mean that the consist of every loaded train move-

ment is the same as the consist of every empty train movement. There will be differences, of course, but every car which is sent out empty comes back loaded.

May I direct attention to the fact that in giveing the total number of trains which we operated, namely 1,031 trains, I said empty trains. There would be approximately an equal number of loaded trains in the reverse direction, although there need not necessarily be exactly the same so far as our operations at the Clewiston mill are concerned.

From our records we can determine the exact number of cars and the exact number of trains empty and the exact number of trains of loads and number of cars therein handled at each hour of the day. My records also show the number of cars from each hoist or loading point.

Q. Do you have similar figures for a more recent season? If so, state what they are?

A. For the 1948-1949 season, there were 1,280 trains of loaded cars of sugar cane.

Q. How many loaded cars of cane were handled in those trains, Mr. Patterson?

A. A total of 42,930 loaded cars, which makes an average [fol. 585] of 33.5 loaded cars per train.

Q. In the regular course of your duties, do you keep an accounting of the expenses incurred by you in the operation of your switch engines in connection with the transportation of cane from the fields to the mill at Clewiston?

A. Yes, from day to day and from month to month, our accounting division, in connection with our traffic and transportation divisions, keeps very accurate records of our transportation costs, both of our inbound cane and also for the switching of outbound products to the Atlantic Coast Line interchange yards at Clewiston.

Q. Will you give a brief indication of the particularity with which your operating expenses on inbound cane are kept?

A. Our records show the total operating expenses on inbound cane usually from the commencement of the season and by half-months or months through the end of the season. They show the number of tons, and the cost per ton hauled. They also show a separation of the costs of cane coming in-ound from east of Clewiston as distinguished from cane coming in from west of Clewiston.

Q. Will you describe briefly the major classifications of operating expenses which appear in your regular accounting statements?

A. Our operating expenses are broken down into some 22 different items, such as train crew labor, foreman and [fol. 586] assistants, clerks, supplies of various kinds, locomotive engine labor, repairs to locomotives and rolling stock; cost of materials for repair to locomotives and rolling stock; labor costs for maintenance of road bed and tracks, and material used in maintenance of road bed and tracks, repairs to buildings, etc.

Q. What general accounts are included in your total operating expenses?

A. We show such items as taxes, depreciation, amounts received for car hire, etc. The railroads allow us two cents per loaded mile for each loaded car hauled.

Q. Will you give an indication of your total operating expenses on inbound cane for some period and the translation of your costs into a revenue ton basis?

A. For the period November 11, 1947, to December 31, 1947, our inbound tons of cane amounted to 170,407.58. Our total operating expenses were $160,883.25. The average expense per revenue ton of cane was 9.41 cents per ton.

This included amounts of freight paid to the railroads for their portion of the haul under the present rates.

Mr. Hillyer: We ask to have marked for identification a statement consisting of two pages marked: Detailed statements of operating expenses and inbound freight on cane." This will be No. 155.

Comm. Patterson: That has already been marked as [fol. 587] No. 155.

By Mr. Hillyer:

Q. Mr. Patterson, is this exhibit 155, does it contain the figures which you presented to the Railroad Commission of Florida in the general increase case before it and the case in which the Florida Commission declined to permit any increases on the rates on sugar cane? These are the same figures, are they, you presented in that case, Docket 1574?

A. Well, I haven't that sheet here.

Mr. Gwathmey: Her- it is, Mr. Patterson, if you want to look at it.

A. Yes, that is the same statement.

Mr. Gwathmey: Mr. Hillyer, may I interrupt just one moment?

By Mr. Gwathmey:

Q. Mr. Patterson, I notice your exhibit No. 155 purports to show operating expenses November 11, 1947, to December 31, 1947. My impression is that the figures which you presented before the Florida Railroad Commission at the hearing in its Docket No. 1574 were for the 1946-1947 season? Is there some mistake there?

A. No, we just happened to have at that time this schedule made up and that was November 11, '47, to December 31, '47. I identified this as being that statement that was used at that time.

Q. Perhaps you'd like to explain to the Commissioner [fol. 588] what you mean as the season. What is the period of movement of the cane ordinarily?

A. From October the tenth, or the first week of October, as soon as the sugar content will permit the operation of the mill and the season usually extends into the latter part of April.

Mr. Gwathmey: Thank you.

Comm. Patterson: You may proceed.

By Mr. Hillyer:

Q. In the testimony before the Florida Commission, were the figures you gave November 11, '47 to December 31, '47, practically identical with those shown in your testimony here today and in Exhibit No. 155, with a minimum of corrections?

A. Yes.

Q. And as to the total figure of 94.41 cents on Exhibit No. 155 is that the same figure which you used before the Florida Commission?

A. Yes.

Q. Of the total of 94.41 cents expense per inbound ton

for cane, how much of that represents freight charges paid to the railroads?

A. The 94.41 cents per ton included 44.81 cents per ton paid to the railroads.

Q. Go ahead.

A. Deducting 44.81 cents paid to the railroads from the total of 94.41 cents, leaves approximately 50 cents per ton [fol. 589] as our cost for our *94.41 cents leaves approximately 50 cents per ton as our cost for our* portion of the total services on the inbound transportation. In other words, it cost us 50 cents more per ton than we paid to the railroads.

We have to spend more for hauling our inbound cane than the freight charges we paid to the railroads for their portion of the haul.

Q. Have you made any estimates of the cost of the cane movement performed by the Florida East Coast and the Atlantic Coast Line for which you pay this average of 44.81 cents per ton?

A. Yes, of course, the average cost per ton which we pay to the railroads would vary from time to time, according to the loading points from which the cane was received, but we have an estimate of the cost to the carriers themselves.

Q. Do the men in the employ of your company keep records of each inbound movement of cane?

A. Yes, very minute records are kept, showing the loading points, the number of cars, and the number of tons in each movement. In this way, my men also keep account of each engine of the Atlantic Coast Line which brings the cane to the interchange tracks at Clewiston. My men also know the number of men employed by the Florida East Coast and the Atlantic Coast Line who operate these trainload movements of cane to the interchange tracks at Clewiston. They also know the rates of pay and we also can compute the [fol. 590] approximate the amount of fu*le* used by their locomotives in hauling our cane.

Q. Do you know the actual cost of maintenance of these patricular tracks between Moore Haven and Canal Point?

A. No, we do not have the exact maintenance costs and in order to arrive at an estimate of their maintenance costs we would have to go to their reports to the Interstate Commerce Commission and use the ratio which their mainte-

nance costs for a particular year bear to their transportation costs. This is not an exact method, of course, but affords some method of computation of the cost of it to them of the movement of our cane.

Q. What ratio did you use for maintenance of way expenses to total transportation expenses?

A. We used a ratio of 55.12 percent which was the ratio of the Atlantic Coast line as a whole for the year 1946, which was the latest then available year in the Interstate Commerce Commission's reports.

In using this maintenance ratio of 55.12 percent, it is my belief that it is higher than the actual would be for the reason that the road bed is not very costly and there are very few substantial structures to maintain and the road does not operate through a heavily populated area; no classification yards, and none of the usual terminal buildings and facilities. Furthermore, my distinct impresson is that the Atlantic Coast Line ratio for maintenance to transpor-
[fol. 591] tation expenses in 1946 was extremely high and abnormal.

Q. In determining the taxes to be paid by the Coast Line for this track which you have given them between Clewiston and Lake Harbor, will you state whether any ordinary method of apprortioning taxes in the aggregate on a tonnage or car mile basis would be a fair method for sugar cane?

A. I think that the only fair method of computing the taxes and the costs of the railroads for this sugar cane movement is to take into consideration what they actually paid. I do not know their actual payments, but I happen to be the Mayor of Clewiston, Florida, and as I recall it, the city taxes are assessed against the Coast Line on a valuation basis of about $3,150 per mile, which includes all stations, office buildings, structures of every kind, in addition to the land, road bed and tracks, and equipment. With this in mind, I should say that the amount of taxes which could fairly be allocated to the cost of the sugar cane movement would be very, very small.

Furthermore, all of the general freight which is handled over these lines, including the enormous movement of fresh vegetables, as well as inbound materials and supplies, should bear their full proportion of any taxes collected for these portions of the lines.

Q. Were you able to translate your costs into actual movements on a revenue ton-mile basis?

[fol. 592] A. Yes, our records enabled us to compute exactly the revenue ton mile of cane hauled by the Florida East Coast and the Atlantic Coast Line separately.

Q. From your actual statistics, will you give a summary of the movements for the 1946-47 crop? Are these shown on page 2 of your exhibit No. 155? You have shown there the car miles *of* ton for that period of November 11 to December 31, 1947. Are you giving the similar figures made up in the same way for that entire year's scope, 1946-1947?

A. Yes.

Q. Go ahead.

A. For the 1946-1947 crop, the car miles in the loaded direction were 778,913. The cars handled by the carriers totaled 48,671. Tons handled by the carriers totaled 996,376.76. Ton miles of cane, loaded direction, 15,944,349. Total actual car rental received at 2 cents per mile, loaded direction, $15,845.44.

Q. That amount was paid to you by the railroads for the use of your equipment?

A. Yes.

Q. And that is a credit?

A. Yes.

Q. Do your records also show the number of cars loaded at each point separately for the Florida East Coast and the Atlantic Coast Line?

[fol. 593] A. Yes, for the 1946-1947 harvest, the cane carloading at stations short of the Canal Point and turned over to the Florida East Coast at Canal Point, plus the loadings at the five tracks on the Florida East Coast, totaled 31,481, and on the Atlantic Coast Line, nine loading points, 17,190 cars, or a total of 48,671.

Q. Using the term "stations short of Canal Point", what do you mean? Do you mean the stations east of Canal Point served by your engines?

A. Yes.

Q. Based upon the methods which you describe, can you state now your estimate of the cost of the cane movement to the Florida East Coast and Atlantic Coast Line for the 1946-1947 season?

A. Yes, our estimate of the total operating costs for our cane for the 1946-1947 season, allowing interest and depreciation, and 10 per cent for profit and taxes on income, was $409,000. The revenue on basis of the then existing rates was $326,000; or payments to the two carriers collectively of $17,700 more than the ten percent profit which we included in our estimates.

Q. Now, were the figures you have just given substantially the same, perhaps with minor changes, as those submitted to the Florida Commission in that hearing?

A. Yes.

[fol. 594] Q. Do you contend that the estimates that you have made are exact?

A. No, of course we could not do that because I do not have access to the railroads' own accounts. However, I believe that for the purposes of this proceeding the estimates I have made are fair and reasonable and the results fully justify our position before this Florida Railroad Commission asking that no increases be permitted in the rates on sugar cane to Clewiston.

Q. Were the estimates which you have given for the November 11, 1947, through December 31, 1947, period presented by you in the case before the Florida Railroad Commission where the railroads were proposing increases in rates?

A. Yes.

Q. Was any rebuttal evidence presented by the carriers in that proceeding of these estimates you have made?

A. No.

Q. Have you prepared similar evidence of your costs and the trunk line carriers' costs for the sugar cane traffic for any later season in a similar manner? If so will you give the results of these studies?

A. For the 1948-1949 season, our inbound tons of cane hauled by the railroads amounted to 912,697.70. The total amount paid to the railroads for the transportation of those tons amounted to $400,774.39, or an average of 43.9 cents per ton. This is a fraction of a cent per ton less than [fol. 595] we paid to the railroads for the movement during the November 11-December 31, 1947, period.

Q. Just a minute.

By Mr. Hillyer:

Q. Would you give that per ton figure again?

A. 43.9.

Mr. Hillyer: We ask to have marked for identification an exhibit consisting of four pages.

Comm. Patterson: Let's have it and take a look at it.

Mr. Hillyer: Which will be offered later by another witness, but there will be figures on this to which Mr. Patterson may want to refer.

Comm. Patterson: Off the record.

(Discussion off the record.)

Comm. Patterson: On the record. You may proceed, Mr. Hillyer.

By Mr. Hillyer:

Q. Mr. Patterson, will you go ahead with your statement?

A. The estimated total operating costs excluding return on investment and taxes on railway property for the service performed by the two railroads in hauling this cane amounted to $25,301.93, or an average cost of 27.9 per ton.

The bases upon which these total costs to the railroads were computed and the methods employed will be described by a witness who will follow me and who made the compu- [fol. 596] tations. I have sat in upon the computation of those costs, however, and believe they represent a reasonable approximation of the estimated costs.

Q. Has there been any change in the method of assessment of taxes against the railroads since you made your first study for 1946-1947?

A. Yes, the assessment has been practically doubled.

Q. Has the new rate of assessment been used in computing the taxes and the total costs for the 1948-1949 season?

A. Yes, the amount of taxes paid to the City of Clewiston in 1947 was $460.32; and for 1948 they will pay the City of Clewiston $1,074.77. This is based on 3.01 miles of main line and 1.80 miles of side tracks.

Q. Do these carriers contribute to the special levies for drainage and flood control work?

A. Only to a very limited extent in comparison with what we pay. Lake Okeechobee is subject to overflow. This is

what accounts for not only the high productivity of the soil, but also creates a hazard. The Federal Government has expended money in protecting the surrounding territory from the ravages of overflow from the lake. Special drainage district tax assessments are made against property owners for flood control work. The Sugar Company has had to assume, and does pay, a very substantial part of the drainage taxes in the area of this operation. This flood [fol. 597] control works to the benefit of the railroads who secure a vast tonnage of vegetable traffic from the Everglades area.

The matter of drainage tax which the Coast Line paid for the year 1947 was $3,508.28. The amount which the Sugar Company paid was $415,587.42.

At any rate, the total state, county and city taxes paid by the Atlantic Coast Line Railroad in this Everglades district is almost nominal. Our total tax bill for state, county, city and drainage purposes runs about $666,746.00 per year, which is paid by our company alone. The vegetable producers also contribute to the drainage taxes.

Q. Do those taxes include the taxes on your own 43.41 miles of railroad and your locomotives and equipment?

A. Yes.

Q. They do?

A. Yes.

Mr. Hillyer: We ask to receive this exhibit No. 155 in evidence.

Comm. Patterson: There being no objection, the same will be received for the record.

(Protestant's Exhibit No. 155, Witness Patterson, received in evidence.)

Mr. Hillyer: That concludes the direct.

By Mr. Pettijohn:

Q. Mr. Patterson, would you please turn to page 18 of your prepared statement?

[fol. 598] A. Yes.

Q. You show on there that allowing interest and depreciation and 10 percent for profit and taxes on income,—the

ten percent profit is a separate item after your income tax has been provided for, is it?

A. Yes.

Q. In other words, the ten percent does not include anything for income taxes?

A. No.

Q. Now on page 19 you say that the assessment has been practically doubled. Do you mean by that, assessment in Clewiston?

A. Yes.

Q. You don't mean that the state and county taxes have been doubled?

A. No, only access I have to those taxes,—I happen to be Mayor of Clewiston and as a matter of act, we protested as to the returns we received from the Comptroller. 3.01 miles of main line and 1.80 miles of side track which happen to be in the corporate limits of the city.

Q. There has been no increase in state and county taxes assessed at Tallahassee?

A. Not that I know of.

Mr. Pettijohn: That's all, thank you.

Comm. Patterson: Cross-examination?

[fol. 599] Cross-examination.

By Mr. Gwathmey:

Q. Mr. Patterson, will you be good enough to give me again your computed costs on a per ton basis for the Atlantic Coast Line and Florida East Coast for the 1946-47 and 1948-49 seasons, respectively? Didn't you give those figures?

A. Yes, I think so.

Q. '48-'49 I think you said 27.9 cents per ton, is that right?

A. Yes.

Q. What figure for the '47 season?

A. That is 27.9 cents per ton is our estimated amount of your cost. Cost of the carriers combined.

Q. For 1948-49?

A. Yes.

Q. I am asking you now if you have the corresponding figure for '47?

A. Yes, I am trying to locate that. That comes from that statement November 11, '47, to December 31, '47. The 94.41 cents per ton included 44.81 cents paid to the railroads.

Q. I am afraid you don't understand me, Mr. Patterson. I am asking for the computation of the cost per ton to Atlantic Coast Line and Florida East Coast combined for 1947 period. In other words, the figure which would correspond with your cost of 27.9 cents for the '48-'49 period.

[fol. 600] A. We didn't make that for the '46-'47 period

Q. Can you readily do that?

A. No, I couldn't.

Mr. Hillyer: You are speaking of the full season, 1946-47?

Mr. Gwathmey: Whatever period he used.

A. I can get that, I think.

Comm. Patterson: Will you furnish that later?

A. All right. It is a matter of locating the tonnage and computing it.

By Mr. Gwathmey:

Q. You showed for the 1946-47 season a total cost to the two railroads of approximately $400,000?

A. That's right.

Q. You did?

A. That is right, yes.

Q. Whereas, for the 1948-49 season you showed a total cost of about $254,000, did you not?

A. That's right.

Q. Was it,—what is the explanation of the difference?

A. Well, there is one explanation. And that is in the 1948-49 crop, it was a shorter period of proper days.

Q. Can you tell me approximately how many less cars you used in arriving at your $250,000 figure than you used in arriving at your $400,000 figure?

Mr. Hillyer: May I make an explanation?

[fol. 601] Mr. Gwathmey: I would like to have the witness explain it if he can.

Mr. Hillyer: To save a lot of time, you are talking about different things.

Mr. Gwathmey: If the witness doesn't understand the question, I will be glad to explain it to him. I'd like to have the witness answer rather than counsel.

A. You want the car numbers of '47-'47 crop compared with the '48-'49?

Q. You have a very wide divergence, Mr. Patterson, between your total cost for 1946-'47 as compared with total cost for '48-'49. You said that probably a shorter period was used in '48-'49.

A. That is one of the factors, yes.

Q. I am asking you how many cars did you use in computing your cost for the respective periods? That will enable you to make a comparison.

A. That is a matter I testified to, but I haven't that in my mind.

Mr. Hillyer: May I confer with counsel privately and——

Mr. Gwathmey: I don't care to have Mr. Hillyer explain anything. If he doesn't care to or can't, he can say so. Counsel doesn't want him to——

Mr. Hillyer: He can answer it if it is asked in the right way.

Mr. Gwathmey: I have n't heard any objection to the way [fol. 602] it was asked.

Mr. Hillyer: Go ahead, but you are wasting time because you are talking about different things.

Comm. Patterson: Let that information be furnished later. There isn't any use of setting up a clerical office here.

A. It is a matter of getting the cars and tons of the '46-'47 season and the '48-'49 season.

Comm. Patterson: You can furnish that later on.

By Mr. Gwathmey:

Q. I will pass that then, Mr. Patterson. You spoke of certain land having been donated to the Florida East Coast and the Atlantic Coast Line by the United States Sugar Corporation. Was that land donated by the United States Sugar Corporation or given by the Southern Sugar Corporation, which was predecessor?

A. Partly by the predecessor corporation and then they did not complete it. There were a few items they weren't able to acquire at the time, and since then the United States Sugar Corporation have completed those purchases an- they are complete with the exception of one very, very small

parcel which is title clouded in some manner and we haven't been able to acquire title to it yet.

Q. When was the land originally donated, the first part of it?

A. In about, as I remember it, we were active in the pur-[fol. 603] chase of that right *a* way somewhere around '29.

Q. 1929?

A. Yes, sir.

Q. I understood you to say another witness will explain the details of this exhibit which has been identified as number 156, is that correct?

A. Yes.

Q. I have one or two more questions to ask you then. Am I correct in understanding along the lines of the Coast Line and the Seaboard—I meant the East Coast instead of the Seaboard—extended eastwardly from Moore Haven through Clewiston to Lake Harbor and then the East Coast beyond. The cane is loaded at quite a large number of different loading sidings or loading points? That is correct, is it not?

A. That is correct, yes.

Q. And those points are scattered practically all along that line, are they not, Mr. Patterson?

A. Yes.

Mr. Gwathmey: Mr. Commissioner, if you care to have me do it and with counsel's leave, I will lay before you a map I am going to introduce. I will lay it before you so you can follow.

Comm. Patterson: It is *is* a straight line map——

Mr. Gwathmey: We are going to introduce that.

Mr. Hillyer: I will be glad for him to have it.

[fol. 604] By Mr. Gwathmey:

Q. In the operations of the railroads' train along this line for setting off empty cars and picking up loaded cars, do you not require them to maintain a very exact schedule?

A. Yes.

Q. If they fail to do that, what would be the effect?

A. If they failed to meet their schedules, why some time they get the operation pretty badly balled up because the loading time of the labor to load the cars is pretty well

established and if the trains are late then, of course, they lose the loading capacity of that time and then that throws out the number of cars that are to be spotted at that particular siding at that particular hour. And therefore, when your train arrives and is late, there may not be sufficient space in the siding to place your cars for the contemplated loading for that day.

Q. Your hoists, as you call them, would be held up?

A. Yes, that is right.

Q. So that the railroads must necessarily maintain a very exact schedule along these loading points?

A. Yes, on the Florida East Coast, I think the cane trains are on their schedules, on the time table.

Q. Does your company pay your train and maintenance employees on the same basis or scale which the railroads pay?

A. Well, very closely. That's trainmen you mean?

[fol. 605] Q. Train and maintenance employees.

A. Maintenance employees are not paid on the same scale as yours and our foreman costs about eight dollars a day.

Q. Your scale is lower than the railroad scale?

A. A little lower, especially on the common labor.

Q. On the round trip between Lake Harbor and Canal Point how many hours are the crews of the railroad on duty, do you know?

A. No, I wouldn't know. I don't know what their round trip is there.

Q. It probably takes them less than five hours to make that round trip?

A. I'd say about five hours would be a good guess at it.

Q. Do they have to be paid for nine hours' work?

A. You make several trips to Canal Point, several round trips to Canal Point during the day.

Q. Do you know whether all of the crews make more than one round trip or whether frequently they make only one trip, round trip a day?

A. I don't know exactly how the Florida East Coast crews are employed during the day and how they are paid.

Q. The question as to the number of round trips made and the time consumed in making such round trips would enter very largely, importantly, into the cost?

A. I understand that, yes.

Mr. Gwathmey: Would you indulge me just a minute, [fol. 606] please? The gentlemen tell me they have some questions they want me to ask.

Comm. Patterson: Off the record.

(Discussion off the record.)

Comm. Patterson: On the record.

By Mr. Gwathmey:

Q. Mr. Patterson, Mr. Hicks tells me to my surprise, a good ideal of cane is grown in the Clewiston town, town site?

A. Yes, there is some in Clewiston town site proper.

Q. Have you included that town site cane in your computation of the railroads' cost?

A. No, sir, the railroads have nothing to do with that. We place the sugar trains there with our switch engines and take it away.

By Comm. Patterson:

Q. While you are waiting to get ready for the questions of Mr. Gwathmey, do I understand that this, all this area beyond Canal Point is on your own property?

A. That is beyond this interchange point here, all this property is our own property, is contiguous and that is our own railroad and——

Q. I understand that.

By Exam. Mattingly:

Q. I am afraid the way that is going in the record that is not going to mean a lot. This map is not in the record.

Comm. Patterson: It is easy enough to identify it in the [fol. 607] record. All the property beyond the interchange point at Canal Point, is your own property?

A. Yes, sir, and our own track.

Q. I understand that. Everything is your own property and you assemble this stuff and deliver it to the railroad company at Canal Point?

A. Yes, sir.

Q. They haul it to Lake Harbor where they interchange it with another railroad that hauls it to Clewiston?

A. Yes, sir.

Q. And all the property beyond there, your interchange track at Clewiston, is that correct?

A. Yes.

Q. And the carriers between Canal Point and Lake Harbor to Clewiston, you regard them as intermediate carriers?

A. Yes.

Q. What is your arrangement with respect to the pay for that service? Do you get a portion of the through rate or is it handled some other way?

A. We pay on a scale and it is a five-mill interval, a stated particular amount from each loading hoist.

Q. I see, but that doesn't include anything beyond Canal Point or beyond the interchange track at Canal Point or Clewiston?

A. No. There is a tariff, interstate tariff published that [fol. 608] gives the mileage from each hoist to Clewiston and with the tariff charges per ton.

Q. And you pay the line haul carriers here two cents a mile for use of your cars?

A. They pay us.

Q. I mean they pay you two cents a mile for the use of your cars.

A. The loaded directions.

Q. How about empty?

A. No, they made that loaded direction for simplicity of accounting.

Q. How much do those cars cost?

A. About; well they cost us about sixteen hundred; sixteen or eighteen hundred dollars.

Q. That is a pretty liberal allowance for a sixteen hundred dollar car, isn't is, two cents a mile?

A. No, I wouldn't think so.

Q. Do you know what they pay for tank cars that cost four thousand dollars?

A. I don't in our case think it is a liberal payment for this reason: we operate seasonally. All right, our crop is somewhere around 180 days. And so those cars,—we have to thoroughly maintain them during the summer time so that there is no chance of our,—very little chance of our losing the use of a car per day for any day during that crop period

and therefore, we have to be more careful in the mainte-
[fol. 609] nance of those cars than the average car on a railroad.

Q. Are you familiar with the order of the Interstate Commerce Commission requiring all freight cars to be equipped with an air brake of certain specification?

A. Yes.

Q. While on the maintenance question——

A. Yes.

Q. Have you equipped your cars according to that order?

A. Our cars are not in interchange.

Q. They are handled by a common carrier engaged in interstate commerce?

A. Yes.

Q. They would be, if they handle those cars?

A. That would be subject to the Interstate Commerce Commission.

Q. You already have that ruling.

A. But I don't believe our cars are in interchange.

By Exam. Mattingly:

Q. Doesn't the East Coast interchange with the Coast Line or vice-versa?

A. They go through no formality.

By Comm. Patterson:

Q. But they do interchange?

A. Yes.

Q. I was wondering how good a job——

A. We haven't put the brakes on.

Q. Do you intend to before the first of the year?

A. I don't know whether there is any appropriations now,
[fol. 610] but we would expect to see whether or not our cars are in interchange.

Redirect examination.

By Mr. Hillyer:

Q. Mr. Patterson, none of those cars move interstate?

A. No.

Commissioner Patterson: That law doesn't run against interstate or intrastate, it runs against any carrier that the carrier itself is engaged in interstate commerce. I don't think there is any question about the Florida East Coast or the Atlantic Coast Line being engaged in interstate commerce.

Mr. Hillyer: I was afraid you had gotten the impression some of these cars got out of that area into general use.

Comm. Patterson: No.

Mr. Gwathmey: We have no further questions.

By Mr. Hillyer:

Q. Mr. Patterson, you gave a figure of 27.9 cents per ton for the 1948-'49 season and the total cost there as $254,904.93. Does that figure appear on exhibit No. 156 near the bottom of the page on page 4? As the total operating expenses?

A. Yes. I had the 2654, but the 27.9 cents is not on that sheet.

Q. Now, you gave a figure for 1948,—excuse me, for 1946-47 including profit and taxes on income, that is ten percent profit of $409,000. Do you recall that for the [fol. 611] 1946-47 season?

A. Yes.

Q. Now, does this figure of $254,000 for 1948-49 include the ten percent profit and taxes on income?

A. I do not think it does include the ten percent taxes on income.

Q. The $209,000 included everything and the $250,000 includes only the total operating expenses?

A. I think so.

Mr. Hillyer: Does that explain what you wanted to know?

By Mr. Gwathmey:

Q. Why did you use a different basis for computation in the two seasons?

Mr. Hillyer: Well, the next witness is going to explain the 156.

Comm. Patterson: Anything more?

Mr. Gwathmey: No.

Comm. Patterson: You are excused.

(Witness excused.)

OTIS A. JONES was sworn and testified as follows:

Direct examination.

By Mr. Hillyer:

Q. State your name, address and occupation?

A. My name is Otis A. Jones. I am Assistant Secretary and Assistant Treasurer of the United States Sugar Corpo- [fol 612] ration. I live in Clewiston, Florida.

Q. Was your title with this company?

A. Yes, Assistant Secretary and Assistant Treasurer.

Q. What department of business comes under your daily supervision?

A. General accounting.

Q. Your division keeps the accounts?

A. Strictly accounting.

Q. The records which were used by Mr. Patterson in the testimony which he has presented were kept by that department?

A. Yes.

Q. And are the traffic statistics kept by another department under the supervision of Mr. Cecil Jones?

A. Yes.

Q. Did you work with Mr. Patterson and Mr. Cecil Jones in the preparation of the studies for the Florida case which we mentioned?

A. Yes.

Q. Were the underlying accounting figures taken by Mr. Patterson from the records and in working in conjunction with you when those studies were made up for the Florida case before the Florida Commission?

A. Yes, sir.

Q. Has that same method been used in the preparation of the study marked as Exhibit 156 which will be presented [fol. 613] by Mr. Young?

A. Generally speaking, yes, although the exhibit which has been identified as 156 does not include all of the calculations which were included in the schedules presented in the Florida Commission case.

Q. That will be explained by Mr. Young?

A. That will.

Q. Are there any other sugar operations in the state other than United States Sugar Corporation?

A. There are two other sugar mills in Florida. One of them is located about one hundred miles south of Daytona Beach, near the East Coast of Florida, at or near Sebastian, Florida. There is another——

Q. Just a moment. Will you point that out on the map?

A. There is another relatively new sugar mill about eight miles south of South Bay, Florida, which has been in operation for the past two seasons.

Q. And what is the name of that?

A. Okeelanta.

Q. Okeelanta?

A. Yes, sir. The Okeelanta Cooperative Sugar Growers, I believe is the name of the plantation out there.

Q. Is there any rail service at the Fellsmere, near Sebastian?

A. I believe they have a track that runs from the Florida East Coast down to their plant.

[fol. 614] Q. Do you know whether they use rail for their sugar cane movement into the mill, or not?

A. They do not.

Q. Are there any railroad tracks serving the plant at Okeelanta?

A. Not at present.

Q. Have they started building a line?

A. I understand that the Atlantic Coast Line Company is building a line to Okeelanta.

Q. How does Okeelanta bring in its sugar cane?

A. By truck or athey wagon.

Q. Will you explain what that is?

A. An ordinary large farm wagon with a caterpillar on the rear instead of wheels on both sides.

Q. Is any rail service available for outbound products of Okeelanta mills?

A. Not at the present.

Q. Have they shipped out in the past? That's operated for some time?

A. That is the mill that's been in operation for the past two seasons, yes and they have shipped out in the past by truck.

Q. Has your company any connection with either of those mills at Fellsmere or Okeelanta?

A. No.

Q. Do any of the three mills, yours or those two, draw [fol. 615] in any sugar cane from any other state?

A. No.

Q. Is any sugar cane shipped from any of these three mills in interstate commerce to interstate points? I am speaking of sugar cane?

A. No, no sugarcane moves in interstate commerce out of Florida unless it could be said that occasionally when we ship small express shipments out of the state for laboratory purposes and I do not consider that as interstate commerce.

Q. Is that shipped for sale or is that a gift?

A. Usually it is either given or sent for test purposes and, of course, it isn't returned.

Q. Where do you send that by express?

A. I think on one or two occasions it was sent to a laboratory in New York.

Q. About how did that weight come to?

A. Less than 100 pounds.

Q. Do you know of any other interstate movements of sugar cane in or out of Florida?

A. I do not.

Q. Now, in your business do you ship your outbound products to interstate destinations?

A. Interstate, *yes*.

Q. And the general increases in rates has been paid on [fol. 616] those outbound interstate shipments?

A. They have.

Q. After the raw sugar is refined at Savannah, must it be reshipped again to the consumers?

A. Yes.

Q. Is your business run on an easy margin of profit?

A. The sugar industry generally is a large volume, low

cost, narrow margin industry, narrow profit margin industry.

Q. Do you just rock along complacently in connection with cost in the operation of your plant?

A. We are making studies all of the time and we have to continue to make them in an effort to try to stay in business.

Q. Are there any hazards in the sugar cane business with respect to weather or seasons or temperatures?

A. The sugar cane business is hazardous in that the area in which we operate has hurricanes, and for the past two years we have had some rather high water in that area at times, and quite frequently we have freezes before we have taken the crop off.

Mr. Hillyer: That concludes the direct examination of this witness.

Comm. Patterson: Cross-examination?

Cross-examination.

By Mr. Gwathmey:

Q. Mr. Jones, do the operators at Fellsmere and Okeelanta ship raw sugar?

[fol. 617] A. I don't believe so, Mr. Gwathmey.

Q. Are they manufacturers and producers of refined sugar?

A. They make a finished product normally known as white sugar.

Q. Does the sugar Corporation at Clewiston ship any sugar except in the normal form of raw sugar?

A. They do not.

Q. And the entire output goes to Port Wentworth, Georgia, does it?

A. Correct.

Q. Does the Sugar Corporation both own land and produce sugar cane and buy sugar cane from other producers?

A. They do.

Mr. Gwathmey: That's all.

Comm. Patterson: You are excused.

(Witness excused.)

Comm. Patterson: We will take a recess.

(Recess had.)

Comm. Patterson: All right, Mr. Hillyer.
Mr. Hillyer: Mr. Cecil Jones.

CECIL JONES was sworn and testified as follows:

Direct examination.

By Mr. Hillyer:

Q. Will you state your name, address and occupation?
A. Cecil Jones, Supervisor of Traffic and Tariffs, United [fol. 618] States Sugar Corporation, Clewiston, Florida.
Q. Describe briefly your experience in transportation and traffic?
A. Since 1923, Atlantic Coast Line and United States Sugar Corporation. You asked for the experience, didn't you?
A. Yes.
A. I said since 1923, ten years with the Atlantic Coast Line and the remainder with the United States Sugar Corporation.
Q. Describe the nature of your duties with the United States Sugar Corporation?
A. Supervisor of operation of cane trains, of interchange with the Atlantic Coast Line, of U. S. Sugar switching crews, employment of railroad personnel, distribution of cane cars, direction of traffic, overcharge, loss and damage.

Mr. Gwathmey: This witness is reading from a prepared statement. We have undertaken to give the other side copies of testimony when we put it in.
Mr. Hillyer: Those are just the barest kind of notes.

By Mr. Hillyer:

Q. How is the weighing of your freight performed and by whom?
A. On our own track scales.

Q. Where are they located?

A. Mill yard at Clewiston.

Q. How are the cars taken to the scales?

A. They are shoved by Sugar Corporation engines to the [fol. 619] dump track and handled on to the scale by steam winch.

Q. And who does the weighing?

A. Sugar Corporation employees.

Q. Is all of that weighing service performed at the expense of the Sugar Corporation?

A. It is.

Q. Under the supervision of the Southern Weighing and Inspecition Bureau?

A. Yes, sir.

Q. Do you have to pay for his time?

A. Well, the employees, the person who does the weighing is an employee of the Sugar Corporation but all records are checked by the Bureau.

Q. Do you pay the entire expenses of switching and loading the freight?

A. We do.

Q. I made a mistake, switching and weighing of loaded cars of cane?

A. That is *ture*.

Q. Do you also weigh the outbound cars?

A. Yes, sir.

Q. Of your products?

A. Yes, sir.

Q. Will you describe briefly the method of bringing the sugar cane into your mill from the standpoint of physical [fol. 620] operation?

A. It is brought in by Atlantic Coast Line in trains. They come into our yard and cut the engine off, take the caboose off, and go to their yard and tie up.

Q. About how many cars are in those trains?

A. It carries anywhere from 60 to 115.

Q. Are those yard tracks, what we might call interchange tracks, on your plant property?

A. They are on plant property, yes.

Q. How many of those yard tracks do you have?

A. A total of 13 are used.

Q. What capacity are those tracks?
A. They range from 38 to 115?

By Comm. Patterson:

Q. What? Cars?
A. Yes.

By Mr. Hillyer:

Q. How many are the shorter tracks?
A. Ten.
Q. How many are the longer tracks?
A. 3.
Q. How many cars do the three of the longer hold?
A. It ranges from 97 to 115.
Q. Are any of those stub end?
A. No, sir.

Q. Could an engine headed into your plant or yard tracks go all the way around and make a circle without having to switch back to a wye?

[fol. 621] A. Definitely, they can circle entirely around the mill.

Q. Now, on the inbound cane, you mentioned Coast Line's movement. How many of those are separated betw3een those that come from the Florida East Coast and those that come from the west on the Coast Line?

A. Yes, they are separated.

Q. They are brought in separatedly by the Coast Line?
A. That is correct.

Q. What kind of crew brings them into your yard tracks?
A. Road haul crew.

Q. Are any switchengine crews used by the Atlantic Coast Line at Clewiston in connection with your sugar cane?

A. No, sir.

Q. Now, let's describe the method of taking out the empties from your plant at Clewiston.

A. A Coast Line engine comes in the yard, places the caboose on the empties, goes to the other end of the same track, couples the engine and leaves.

Q. Is this train coupled for them?

A. It is coupled but the air holes are not—all coupling is done for them.

By Comm. Patterson:

Q. That is done automatically?

A. Yes, sir, except you've got to be certain that you don't kick them in with closed knuckles.

Mr. Gwathmey: Would you read that last answer?

[fol. 622] (The last answer was read by the reporter.)

By Comm. Patterson:

Q. I thought those couplers all had throwers on them. Do your cars have the type of coupler?

A. Standard coupler, but you can throw plenty together in a switch and it wouldn't necessarily couple, unless your draw heads are set right.

By Mr. Hillyer:

Q. Are those empty cars placed on these series of yard tracks in strings before the Coast Line train comes to get them?

A. They are complete when the Coast Line comes to get them, yes.

Q. What kind of Coast Line crew takes the empties out of the yard?

A. Local road haul.

Q. Is any switching crew used by the Coast Line on your out-bound empty trains?

A. No.

Q. Now, what does the Coast Line do with these empties that are assigned for the Florida East Coast section to the right as compared with the Coast Line to the west?

A. You mean is the movement of the outbound train different?

Q. Yes, what happens?

A. The Atlantic Coast Line takes the empties to Lake Harbor and——

Q. That is for the Florida East Coast?

[fol. 623] A. Yes. Westbound trains they back out of

the yard and they head to the west end, run of course, in the reverse of that.

Q. Do they have to make a separation as to which go to the Florida East Coast and which go to their own line?

A. No, sir. They are made up separately in the yard.

Q. Is that all done by you and under your direction?

A. It is.

Q. Does the Florida East Coast at Canal Point use any switch engines or switching crews to go into your series of tracks there?

A. No, sir, road haul.

Q. What is the form of the delivery by you to the Florida East Coast?

A. We deliver to the them,—deliver the cane to them in cuts of 60 to 70 cars in a designated place and they attach the caboose and engine and leave. That is all there is to it.

Q. Does the Florida East Coast use any separate switching crew in Canal Point?

A. No, sir.

Q. Either on empties or in loading out,—in loads going out?

A. Neither.

Q. Do they employ any separate switching crew for your cane traffic anywhere between Canal Point and Clewiston, either of the lines?

[fol. 624] A. No, sir, no switching crews at all.

Q. Is there expedited service required for your empty or your loads?

A. Not expedited excepting they should be run on reasonably accurate schedules.

Q. Do they have a schedule? For these trains?

A. Yes, they do.

Q. Is that of any convenience to the carriers?

A. In the case of the Florida East Coast, it is more convenient than the Coast Line?

Q. Why?

A. They save certain expenses by making it a time card movement.

Q. Have you heard the testimony of Mr. Patterson?

A. Yes, sir.

Q. Did you furnish to him the figures and the data with respect to the traffic and the traffic units and the wages?

A. No, not the wages.

Q. The traffic units?

A. Yes, sir, I did parts of it.

Q. Were the other parts furnished by Mr. Otis Jones?

A. They were.

Q. Were those cost sheets figures compiled by the three departments working together?

A. Yes, sir.

[fol. 625] Q. Were the figures that you have given to Mr. Patterson for those studies made from the actual records which are kept under your supervision?

A. They were.

Q. Will you describe briefly the way in which your present rates on sugar cane to Clewiston are published and the tariff provisions which are applicable in connection with your rates?

A. Our rates on sugar cane are published by the Atlantic Coast Line and the Florida East Coast in Atlantic Coast Line Railroad Freight Tariff No. 91-50A, effective October 22, 1942, with supplements and amendments thereto, and reissues thereof.

The rates are published under a mileage scale beginning with five miles and under at 30 cents per ton, and extending up to the 40 mile and over 30 mile block, 65 cents per ton.

Q. Now, are there any tariff provisions that are applicable to this cane movement which are not found in ordinary local tariffs?

A. Yes, they are. Item one provides that the consignee at Clewiston shall ship over the lines of the Coast Line via Palmdale and Haines City, and amount of unrefined sugar and blackstrap molasses or derivatives therefrom equal to that extracted at the sugar house from a tonnage of sugar cane delivered to it over the lines of the Florida East Coast Railway Company and the Atlantic Coast Line Rail-[fol. 626] road Company. There is an exception under this under which a portion of the tonnage would have to go out over the Florida East Coast, equal to the sugar extracted from the sugar cane loaded by the consignee on the lines of the Florida East Coast.

Item two provides that the amount of the sugar content and the molasses to be shipped shall be determined by separate laboratory tests to be produced from each ton of cane received at the sugar house.

Q. How often are the railroads furnished with a report under item two?

A. Each three weeks.

Q. What does Item three provide?

A. Item three provides that the consignee may reserve for its own use or for local sale an amount of blackstrap not to exceed 500,000 gallons from each harvest season. If the proportionate amount of sugar and blackstrap is not shipped within an 18-month's period from the date of inbound movement, then the tariff provides in item four that the normal tariff rates on sugar cane shall be charged.

Item five provided that the charges shall be paid at the end of the month.

Q. Have you had any difficulty in complying with that provision of all your shipments of molasses moved out within the required time?

A. They have.

[fol. 627] Q. Do you have to keep any accounting though to be sure that is complied with?

A. Considerable.

Q. Now, as to the payment of the freight charges, is there a special time for the payment of freight charges?

A. Yes, sir, at the end of each month.

Q. Is that a convenience to you and to the carriers?

A. It certainly is to us to pay it only once a month.

Q. Is all that accounting down in your office under your direction?

A. It is.

Q. Now, Mr. Patterson has already explained that the allowance for the two cents per mile is for the loaded movement. Is that in the tariff itself as item 6?

A. Yes, sir, it is.

Q. Now, is any considerable amount of time and clerical expense required in complying with these transit provisions?

A. Quite a good bit. A complete set of distribution records have to be kept so as to separate the Florida East Coast and the Atlantic Coast Line and products.

Q. Because of that do you have to route outbound traffic over different lines?

A. We have to route the outbound traffic in the same proportion as the inbound cane.

Q. What two routes does your raw sugar take under this [fol. 628] tariff and transit provision?

A. One route Atlantic Coast Line to Savannah, S&A.

Q. What is the other route?

A. Coast Line to Lake Harbor, Florida East Coast to Jacksonville, Coast Line to Savannah, S&A.

Q. Do you have to separate your outbound routing over these to one going to the Florida East Coast and the other Coast Line?

A. Right.

Q. Is that separation made in making up the trains or the cuts for the outbound movement?

A. It is placed on the interchange track so as to make no switching for the carrier.

Q. Under that transit provision, are you required then to ship a certain definite number of cars over the Florida East Coast route and a certain number of cars over the Atlantic Coast Line?

A. I wouldn't put it a certain number of cars, but very definitely a number of pounds. It is the same answer.

Q. Where is the preponderance of the tonnage of sugar cane produced?

A. On the Florida East Coast rails.

Q. And therefore your outbound routing must be in that proportion over the Florida East Coast route?

A. That is right. Roughly two-thirds.

[fol. 629] Q. Does the calculation and the clerical expense of that routing take any considerable part of your time or your assistants'?

A. It certainly does. You handle it twice. Inbound and outbound.

Q. Have any changes been proposed in that intrastate tariff in your sugar cane tariff?

A. Yes, the railroads recently proposed to restrict the tariff to apply only in connection with the outbound sugar destined to points in Florida in intrastate traffic.

Q. Do you have any such intrastate outbound movement?

A. No, all of our outbound raw sugar goes to Port Wentworth, Georgia.

Q. Would there be any place you could use on raw sugar?

A. No, only molasses.

Q. Now you have molasses shipments both interstate and intrastate?

A. Yes, sir.

Q. On the molasses, would that restriction have application on your outbound molasses to intrastate points?

A. You could use it on intrastate points, but intrastate movement is a small proportion of our total movement.

Q. That is of molasses?

A. That is right.

[fol. 630] Q. And on raw sugar you have not?

A. None.

Q. Have you resisted that change in the Florida Sugar Cane tariff?

A. Yes, we have filed a complaint with the Railroad Commission of Florida opposing that change. That complaint is pending and has not yet been heard.

Q. Was any other change proposed by the carriers?

A. Yes, they proposed to put in an interstate transit tariff on sugar cane subject to many conditions which would be burdensome and bothersome to us and which would result in increases in the present charges on sugar cane by amounts ranging from 43 percent to 48 percent, and not including the recent increase of six percent under Ex Parte 168, which became effective on interstate traffic in January, 1949.

Q. Has that tariff been subject to any additional increases which might be permitted in the general revenue cases before the ICC?

A. It would, yes, sir.

Q. Did you oppose that tariff?

A. Yes, we filed petition for suspension and investigation of Atlantic Coast Line Tariff B-3219, issued March 3, 1949, effective April 13, 1949.

Q. What tariff Number?

A. ACL Tariff B-3219, issued March 3, 1949, effective [fol. 631] April 13, 1949.

Q. What did the Interstate Commerce Commission do with your protest?

A. The Interstate Commerce Commission suspended the new transit sugar cane tariff and assigned the case for hearing today.

Q. Are the transit provisions of that tariff similar in any respects to the transit provisions in the present Florida Sugar Cane Tariff?

A. In many respects, not entirely.

Q. Are there additional requirements in this interstate sugar cane tariff which has been suspended?

A. Several.

Q. Does it require furnishing a bond?

A. Yes, sir.

Q. Have you ever had to do that before? In connection with any traffic?

A. Not under the present intrastate tariff.

Q. Is your company willing to furnish such a bond?

A. They prefer not to do it. They don't want to.

Q. Those transit tariffs provide you would have to make application for the use of that car tariff?

A. They do.

Q. Have you at this time any intention of making any such application?

[fol. 632] A. No, sir.

Q. What does that tariff provide with respect to payments of freight charges?

A. The freight charges would be paid each 96 hours. That would entail a world of work through the accounting department because in effect, you'd be paying bills every month, when you pay them once a month as provided in the present tariff.

Q. The present Florida tariff?

A. Yes.

Q. Has there ever been any difficulty of any kind between you and the carriers with respect to prompt payment of your bills?

A. No, not to my knowledge, no, sir.

Q. Have you studied that interstate transit tariff?

A. I have read it several times.

Q. In your opinion, would a great deal of trouble be caused which is not occasioned by the present Florida tariff?

A. Yes, sir, considerable more work in that than the present.

Q. Has there ever any disposition on your part to refuse to bill your outbound traffic over the Coast Line route or the Florida East Coast route in relation to the inbound and incoming tonnage of cane?

A. Never one particle of trouble.

Q. You are quite willing to do that without any tariff provision?

[fol. 633] A. We always have done it.

Q. Has any other recent change occurred in the sugar cane tariff on file with the Florida Commission?

A. Last fall the carriers failed to renew the carload minimum weight provisions on sugar cane of 36,000 pounds up to December 31, and 38,000 pounds from January 1 to June 1. By reason of their failure to publish those seasonal minima the railroads are demanding charges on basis of a minimum of 40,000 pounds up to January 31st and 44,000 pounds after January 31st.

Q. Have you been able to load the require minimum?

A. No, we tried hard to do it. We loaded the cane way up above the top of the racks on the cane cars and we lost a lot of cane because it joggled off along the journey and scattered all over the right of way on the railroads' tracks and our tracks, and still we were unable to load the required minimum.

Mr. Hillyer: Off the record.

(Comm. Patterson: Off the record.)

(Discussion off the record.)

Comm. Patterson: On the record.

By Mr. Hillyer:

Q. Have you been making the calculations to show how much weight you paid on which you were unable to ship under these minima?

A. Our records show that, yes.

[fol. 634] Q. Do those payments run into a considerable sum of money, Mr. Jones?

A. They do.

Q. What have you done about that recent change in your Florida tariff?

A. We filed a complaint with the Railroad Commission of Florida alleging that the carload minima were unreasonable and more than could be properly and safely loaded. That case is still pending.

Q. To what extent did this cane spill off the cars? Was it necessary to go out and clean up the tracks?

A. Section forces of both railroads constantly move spilled cane off of the right of way. It is necessary because of the quantity.

Q. Did that occur after this increase in the carload minimum?

A. It was a greater extent of spill at that time than before because we brought the load higher in an effort to get in more weight.

Q. This interstate which has been suspended, would that tie in outbound rates to Port Wentworth?

A. It would.

Q. What has been your position with respect to those outbound rates on raw sugar?

A. Our position has been that our rates on raw sugar to Port Wentworth are unreasonably high. We have done [fol. 635] what we could to get a reduction in those rates considered in and of themselves and aside from the rates on sugar cane.

Q. Do you want those outbound raw sugar rates tied in with your sugar cane rates?

A. No, sir.

Q. You want to pay reasonably priced rates on both movements separately?

A. That's right, they have no relation to each other.

Q. What did you do about these raw sugar rates?

A. After the railroads failed to do anything about it we filed a complaint with the Interstate Commerce Commission. The case was heard before Examiner Alldredge in January at St. Petersburg, Florida. A Proposed Report of Examiner Russell was issued in June, 1949, holding that our rates on raw sugar, outbound, considered separately and apart from the inbound rates on sugar cane are and for the future will be unjust and unreasonable. He recommends a substantial reduction.

By Mr. Gwathmey:

Q. How much?

A. I don't have the figures, Mr. Gwathmey. I couldn't tell you.

By Mr. Hillyer:

Q. Mr. Jones, in the making up of the cost study of Mr. Patterson and that which will be discussed more, but did you furnish the rates of pay of the crews of the Florida East Coast and the Coast Line?

[fol. 636] A. Yes, sir.

Q. And doing that did you use the wages of your own crews or those which are paid by the trunk line carriers to their crews?

A. The wages paid by the carriers as told to me by their employees for in-train service.

Q. Are you in touch with them every day?

A. See them whenever I want to. There are always some around.

Mr. Hillyer: That's all.

By Mr. Pettijohn:

Q. Two questions please. Did I understand you to say that you were not permitted to ship molasses intrastate from your Clewiston plant by truck?

A. We have a li/mitation as to what we can ship, yes, sir.

Q. And are you required to handled your raw sugar that is originally shipped over the East Coast north from Jacksonville via the Atlantic Coast Line?

A. Yes.

Q. You can't ship by the Seaboard?

A. The only route that can apply is the Atlantic Coast Line.

Mr. Pettijohn: Thank you.

Mr. Gwathmey: Mr. Commissioner, an exhibit has been produced here and identified as exhibit No. 156. Several witnesses have referred to it, but I don't understand it has [fol. 637] yet been offered in evidence?

Comm. Patterson: It has not. It is identified here to be submitted by another witness. Witness Young. He hasn't appeared yet.

Mr. Hillyer: He will be next. Mr. Otis Jones, Mr. Cecil Jones and Mr. Patterson have been laying a foundation for it, showing where he got the information and the men who have the facts and who worked with him in the preparation and study of it.

Mr. Gwathmey: You have still another witness who is going to explain this exhibit No. 156?

Mr. Hillyer: Yes.

Mr. Gwathmey: All right.

Mr. Hillyer: And that will conclude the cane testimony we have. We have as our next witness——

Mr. Gwathmey: Just a minute. I would like to cross examine this witness.

Cross-examination.

By Mr. Gwathmey:

Q. Mr. Jones, you mentioned the wages paid to the crews by the Coast Line and Seaboard as told to you. Will you say what wages your company pays your own crews? What rate of pay?

A. Express percentage, which is roughly eighty percent of standard.

Q. 80 percent of standard?

[fol. 638] A. Yes, sir.

Q. I used the word "Seaboard" inadvertently. I should have said Coast Line and Florida East Coast.

That is all I want to ask.

By Comm. Patterson:

Q. Mr. Jones, you testified that these sugar trains come in solid trains on the Atlantic Coast Line and Florida East Coast into the plant?

A. Not on the Florida East Coast, on the Atlantic Coast Line only?

Q. Atlantic Coast Line in solid trains?

A. Yes, sir.

Q. Are the schedules of those trains that they are run on pretty close schedules?

A. Yes, sometimes it varies as much as two hours a day to fit the need.

Q. Is that schedule made at the general convenience of the industry?

A. It is worked out, Mr. Commissioner, between the industry and us to fit our needs and the schedules of their trains. That is what it really is.

Q. You testified that the trains were made up solid for the Atlantic Coast Line?

A. Only movement out of the plant is Atlantic Coast Line.

Q. And the trains are made up solid for the Atlantic Coast line? The air holes are not coupled?

[fol. 639] A. That is correct.

Q. How do you know the brakes will work?

A. The Atlantic Coast Line conductor has that responsibility.

Q. He does for that extent prepare the train for movement?

A. He couples the holes and tests the brakes before he leaves.

Comm. Patterson: That is all.

(Witness excused.)

PAUL L. YOUNG was sworn and testified as follows:

Direct examintion.

By Mr. Hillyer:

Q. Will you state your name, address and occupation?

A. Paul L. Young, 3934 University Boulevard, Houston, Texas. Accountant.

By Mr. Gwathmey:

Q. Houston, Texas, did you say?

A. Yes, sir.

By Mr. Hillyer:

Q. Mr. Young, will you describe your training and experience in accounting and cost accounting statistical work?

A. Well, I have been in the railroad for 23 years and 18 of these were in special assignment work, cost study, special investigations, and in the Southwest for the Missouri-Pacific Line. Made terminal costs, line haul costs, handled special investigations for the various departments of [fol. 640] the railroads for presentation to the Interstate Commerce Commission, the State Commission, and for the Management. We make costs, that is, comparative costs for rail transportation, water transportation, truck transportation, barge lines, and we made studies for the federal coordinator of transportation for the Southwestern region, supervised the entire cost studies that the Federal Coordinator required out of the Southwestern region.

During the war I was on loan to the Office of Defense Transportation and that was for a period of about two years, two and a half years.

Q. In the course of your duties has it been necessary to acquaint yourself with all of the more recent cost accounting methods of cost section of the Interstate Commerce Commission?

A. Yes, sir.

Q. Have you worked from time to time with the Cost Section on these various and sundry assignments which you had had?

A. Yes, sir.

Q. Have you been to Clewiston, Florida?

A. Yes, sir, I have.

Q. Have you made a study of the operations of sugar cane trains into Clewiston?

A. Yes, sir.

Q. Did you assemble data for Mr. R. Y. Patterson, Mr. Cecil Jones and Mr. Otis Jones in your study?

[fol. 641] A. I did.

Q. Did they work constantly and continuously with you in the preparation of studies for this case?

A. Yes, sir, they did.

Q. Did you go over the testimony which Mr. Patterson has presented before the Florida Commission and which

he referred to this morning and which are shown in Exhibit 155?

A. Yes, sir, I did.

Q. Exhibit 155 shows an average cost per ton for a certain period and then Mr. Patterson gave the total expenses including profit for the season 1946-'47. You were not employed by the Sugar Company at that time, were you?

A. No, sir.

Q. Have you been over those figures with him?

A. Beg pardon?

Q. Have you been over those figures with him?

A. I have, yes, sir, I have looked them over.

Q. Now, in his computation cost for the season, about $409,000, he concluded, as he said, ten per cent for profit and taxes on income, etc.

A. Yes, sir, and depreciation was included in that, too.

Q. In your studies were you willing to make that kind or use that kind of a factor?

A. No, sir.

[fol. 642] Q. In assembling your cost?

A. No, sir, I was not.

Q. So there is that difference between his total cost and the cost without those items in your study?

A. Yes, sir.

Q. Do you know *how* the cost computed by Mr. Patterson for 1946-47 season, excluding these items of interest, depreciation, and ten per cent profit, compared with your costs?

A. You mean the operating cost?

Q. Yes.

A. They compare very closely.

Q. They come close together?

A. Yes, they do.

Q. Exhibit 156 has been marked for identification. Was this prepared by you?

A. Yes, sir, it was.

Q. Will you explain in detail how this exhibit consisting of four pages was compiled and the factors you have employed, method you have employed in arriving at the estimate of expenses not including profit, etc.

A. We took the total expenses and separated them into the general accounts as prescribed by the Interstate Com-

merce Commission, without going into the primary accounts. And in taking the total accounts for the maintenance of ways and structures we lumped all of the track maintenance for the Sugar Company, performed by the [fol. 643] Sugar Company, separated them between labor and materials and the equipment used in track maintenance like the draglines and things of that sort, and then we took the general overhead and allocated it to the maintenance of ways. Took the labor portion of maintenance of ways and increased that to include the payroll taxes, insurance—which would take care of some of the items in personal injuries, things of that nature that are not included in the Sugar Company accounts,—and vacation pay. The total of that amounted to,—it did amount to 12 per cent. And we projected that and got the total maintenance of way and structures for all the tracks maintained by the Sugar Company.

By Mr. Gwathmey:

Q. You said tracks maintained by the Sugar Company?

A. Yes, sir.

Q. I thought you were talking about maintenance and cost of railroads?

A. Yes, sir.

Mr. Gwathmey: Go ahead, sir.

A. The tracks maintained by the Sugar Company are used entirely by their traffic. That is, the raw cane, the sugar cane inbound and raw sugar and blackstrap outbound.

Ten per cent of the tonnage handled over those tracks represents the tonnage of raw sugar and blackstrap molasses moving outbound. So that 90 per cent of the total [fol. 644] cost of the maintenance of way and structures is considered applicable to the Sugar Cane traffic.

The tracks operated by the sugar company amounted to 33.41 miles and this amount was divided to an average cost per mile of road operated by the sugar company which was multiplied by the 41 miles of track used by the Florida East Coast and Atlantic Coast Line in handling the sugar cane movement which gives an estimated cost for the mainte-

nance of way and structures on both roads for handling sugar cane at $96,029.38.

Q. Now, Mr. Patterson used in lieu of that method the Atlantic Coast Line ratio of maintenance total expenses. You have used a different method?

A. Yes, sir, I have tried to use a method that would be more applicable to the type of tracks, the track located in the same vicinity, subject to the same climatic and use conditions.

Q. Do you think that would be nearer the railroads' maintenance than the Atlantic Coast Line ratio?

A. Yes, sir, I do.

Q. In arriving at this figure of $96,000 for maintenance, have you made any allowance there or yet for the fruit and vegetable traffic which originates in that section and moves in such heavy volume?

A. Yes, this is supposed to represent only the maintenance caused by the sugar cane traffic moving over the [fol. 645] track. There would be considerably more maintenance on those tracks than would be caused by the other commodities moving over those tracks, but then if the cost were sensitized enough to show the difference in the cost that is caused by the use of the tracks and the costs that are caused solely by the existence then this figure would naturally be reduced but we couldn't make those computations because we didn't have the necessary primary accounts to sensitize our cost to that extent so that we included all the cost of the tracks caused by their existence, in this figure and pyramided our cost on the two lines by that proportion.

Q. Now, will you take up maintenance of equipment on page two?

A. The Sugar Company maintains seven locomotives to switch the traffic, sugar cane traffic, handled by them and we, likewise, separated the cost of maintaining these locomotives between labor and material and we used a portion of our transportation expenses in the locomotive supplies and expenses in a portion of our general overhead expenses, and the general overhead expenses for maintenance of equipment accounts and applied—separated that between the portion that is applicable to the locomotives and the portion applicable to the maintenance of cars and we used

the labor, cleaning and firing locomotives and things of that sort and took the labor portion of all the accounts and then [fol. 646] increased it by the 12 per cent explained by way and structures to take care of payroll expenses, injuries, and vacation pay, and you get a total cost of maintenance of locomotives of $42,954.96.

And we likewise broke this between the sugar cane traffic and raw sugar, blackstrap, allowing ninety per cent for the sugar cane. We divided the total amount by this seven locomotives, had an average maintenance per locomotive amounting to $5,522.78. The Atlantic Coast Line and Florida East Coast have three locomotives assigned to the sugar cane movement and multiplication of that three to the average cost gives an estimated cost of repairs for the locomotives used in cane service as $16,568.34.

And then the rental of the sugar cane cars of two cents per loaded car amounted to $14,——

By Comm. Patterson:

Q. Car mile?

A. Excuse me, two cents per car mile, amounted to $14,461.38.

Q. Go ahead Mr. Young.

A. Now, train operations, we took the salaries of the train crews for the Florida East Coast, which Mr. Cecil Jones gave me, at $66.85 for each eight-hour shift. We took the number of trains that were dispatched to the Florida East Coast, 435, and projected that to the $29,079.75, as the salary cost on the Florida East Coast for handling sugar cane.

[fol. 647] And the Atlantic Coast Line salary for the train crew of twelve hours amounted to $74.65. There was 845 dispatched, which gave us $63,079.25 as the salary cost for the train crews on the Atlantic Coast Line.

Water for the locomotives, we set up at $177.43, that is, total amount used by all seven of the sugar cane locomotives. We thought that would be very liberal estimate for the cost of water for the locomotives.

Fuel for train locomotives we estimated for 60 cents per train mile. We got the figure by dividing the total fuel cost for the Atlantic Coast Line by the train miles on the Atlantic Coast Line. We took the 60 cents per train mile

and projected it to the train miles of cane service and arrived at the cost for fuel. The labor portion of these expenses were increased by the 12 per cent to allow for payroll taxes, insurance and vacation. That gives a total cost for operating the trains of $117,405.63.

For station service, we allowed three men at $275 per month for five months of sugar cane movement. That gives $4,125.00 for salaries. Our payroll taxes, insurance and vacation were figures on that as 12 per cent of the labor and inter--Then station supplies and expense estimated $400, which is $5,020 for total station expense.

By Comm. Patterson:

Q. All of that is shown on the face of the exhibit. You are reading that.

[fol. 648] A. I want to make one correction on transportation train operations. I said payroll taxes, insurance and vacation was figured at 12 per cent of salary. I want to correct that. The payroll taxes were computed differently in that instance. The earnings of these train crews amount to in excess of three hundred a month and the payroll taxes are applicable only to amounts up to $300 a month, so we took the number of train crews and limited their earnings to three hundred a month, when computing payroll taxes.

In computing our locomotive depreciation, we valued the locomotives at $35,000 each and we allowed the Atlantic Coast Line in addition to the two locomotives assigned to the service, one extra locomotive as a standby locomotive for the computation of depreciation. We took the 3.69 per cent as the annual depreciation shown in the Florida East Coast Annual Report, as our basis for depreciating the steam locomotives and the Florida East Coast used in their last season's operation one Diesel locomotive for a period of a month or maybe a little over, so that we allowed them depreciation based on the use of one Diesel locomotive for our full season, valued that locomotive at the rate of $125,000. We also used their average depreciation base from the Annual Report to arrive at our total depreciation and we then took the cane season portion of that which is five months to arrive at our total depreciation figures.

[fol. 649] We summarized all those costs to arrive at our

$254,904.93 which is our total operating expenses including our payroll taxes. It also includes a portion of the vacation pay allowed to the employees.

And the operating revenues from the cane service, based on the two cents per loaded car mile, amount to $400,774.39, which gave an operating ratio of 63.6. But if you go back in there and exclude all of the payroll taxes, which are not usually included in computation of operating ratio, this ratio then would drop to about 62.

Q. What was that, please?

A. 62. Without the taxes, it should be 62.

Now, the revenue produced under this sugar cane movement at two cents a mile is based on the minimum of 36,000 pounds, up to December 31, 1948, and 38,000 pounds minimum after December 31, to the end of the season.

By Comm. Patterson:

Q. The industry have a standby locomotive. Did you include their standby locomotives?

A. They have the seven locomotives they operate. They operate two up on the end at Canal Point and five in the yards. They are using them,—they are running around all the time using one or the other.

Q. They don't have any standby?

A. They are not all of them in service at the same time. There would be some of them standing by for use.

[fol. 650] Comm. Patterson: I see.

By Mr. Pettijohn:

Q. For clarification, I'd like to ask you a few questions: On sheet one of your exhibit 156 the costs there are costs which obtain with respect to the Sugar Corporation which you have adjusted to a mileage basis to the Florida East Coast and Coast Line costs, are they not?

A. Yes, sir.

Q. And the same applies with respect to your maintenance of equipment expenses?

A. Yes, sir.

Q. With respect, however, to your third sheet on transportation expenses, the first two items are based upon the estimated costs of train and engine crews, are they not?

A. Yes, sir.

Q. And the third and fourth items are averages obtaining on the Atlantic Coast Line in the previous year?

A. Which items are you referring to, three and four?

Q. Fuel for train locomotives and water.

A. Water is the total water cost of the water consumed by the seven locomotives on the Sugar Company—that is, the Sugar Company's seven locomotives for the entire year, cost for the Sugar Company locomotives for the entire year.

Q. Because you thoug-- that was applicable on the other two railroads?

A. We knew it was overstated. Whenever there was doubt in our mind as to the cost, we gave them the benefit.

[fol. 651] Q. Your fuel costs are based on an estimated 60 cents per train mile?

A. Yes, sir.

Q. Was that obtained from the Coast Line report or from the Florida East Coast?

A. Coast Line report.

Q. For which year, '48, or '47, do you know?

A. I believe that was '48. I had both of them in front of me. Now I believe it was '48.

Q. Fuel costs would vary considerably according to tonnage of trains, would they not?

A. Yes, it would vary according to tonnage, speed of train and the type of—I don't mean type,—I mean on the section of the country, whether it was mountainous country or grades or level country,—things like that. There is a lot of variation.

Comm. Patterson:

Q. Would type of equipment have any influence?

A. Yes, sir. Type of equipment would. Box cars have more wind resistance than flat cars.

Q. Do roller bearings have more resistance?

A. Yes, sir, this was taken as general over-all average.

Q. More or less?

A. More or less.

Comm. Patterson: That is all.

[fol. 652] Mr. Pettijohn: That's all.

By Mr. Hillyer:

Q. Mr. Patterson referred with respect to this car rental to two cents per loaded car mile on sheet two of exhibit 156. Is that the actual amount of money paid by the trunk line to the Sugar Company for the car rental?

A. Yes, sir, it was.

Q. On page four, it wasn't quite clear to me from your phraseology on that whether in arriving at the next to the last item, operating revenues, $400 odd thousand dollars, whether you had deducted that car rental or whether that was the total revenue paid on freight.

A. No, this is the total revenue paid the Florida East Coast and Atlantic Coast Line, for the transportation of sugar cane. This $14,000 is a separate item that was paid back to the sugar company and would be classed as one of their expenses in lieu of freight train car repairs.

Q. Then do I understand you have not charged $14,000 into the total expenses?

A. That is what they paid to the sugar company. No they are not charged.

Q. It is not included in the $400,000?

A. No, sir, they are not.

Q. Now, Commissioner Patterson inquired as to the liberality of that 2 cents per loaded car mile. What was the actual cost of those cars to the sugar company? Do you [fol. 653] have that in any form, in cents per loaded car mile or any other way?

A. I have it in my detail. The cost of maintaining those cars runs at about roughly $7,600. They were valued at $803,704.72, depreciated at 2.5 percent and the depreciation figure would be $20,092.61.

Q. Give me that again?

A. $20,092.61, including return on investment of five and three-fourths percent on the book value of $502,316 for the cars would give us a return of $28,883.17 and the sum of all the items for the maintenance and ownership of the cane cars amounts to $85,594.28, for which the $14,461.38 was the rental received and would give us about $71,133.90, that you might say is given to the railroads by the sugar company owning the cars in lieu of having their railroad furnish that equipment.

By Comm. Patterson:

Q. The sugar company owns the cars and the railroads get a couple of months' service a year out of the cars and *apy* for them on an annual basis, is that so?

A. We are using five months.

Q. Five months?

A. Yes, sir, that is during the past season they were in operation five months.

Q. For which they paid rental there on an annual basis?

A. Yes, well, on an anual basis of the use of the mileage [fol. 654] made by those cars.

Comm. Patterson: Proceed.

By Mr. Hillyer:

Q. Do I understand correctly that the use of these cars, including the return, cost the sugar company a great deal of money over and above the allowance the two cents per loaded car mile paid by the railroads?

A. Yes, sir.

Q. Now, referrring to your page four, where you show your total operating expenses, including payroll taxes of some $254,000 did you have available any method of adding to that figure for investment? Return to investment, and other items which would ordinarily go into the figure. Did you distribute cost including return?

A. No, sir, we didn't have any way of knowing the investment of the tracks and facilities nor the taxes paid on that and anything we made would have to be a pure guess and we didn't *fell* it was right just to make a guess on something like that.

Q. Whereas Mr. Patterson used a guess on his exhibit No. 155, you were not willing to take that kind of guess?

A. No, sir, I didn't have enough historical background of facts to base an estimate on.

Q. Now, was this operating ratio you computed,—I think you said 62?

A. Yes.

Q. From the standpoint of railroad operation, how does [fol. 655] that compare with the operating ratio of an efficiently operated railroad with plenty of business?

A. That would be a low operating ratio.

Q. By low, you mean favorable?

A. Very favorable.

Mr. Hillyer: That is all. We offer in evidence Exhibit 156.

Comm. Patterson: It may be received for the record.

(Exhibit No. 156, Witness Young, was received in evidence.)

Mr. Gwathmey: Mr. Commissioner, the opposition has introduced a rather complicated cost study here and if it would be agreeable to adjourn for lunch a little earlier so I could have a chance to talk it over with my accounting people, I'd be glad to do that. Otherwise, I will go ahead and do what I can.

Comm. Patterson: Do you have another witness you can put on before lunch?

Mr. Hillyer: Well, these exhibits were furnished to the carriers a few night ago. I think he is entitled for time for examination and to prepar cross-examination. I don't think he should be required go in—and Mr. Young will be available later on.

Mr. Gwathmey: I will be ready right after lunch.

Comm. Patterson: We will go to lunch now and come back [fol. 656] at half past one.

(At 11:45 a.m. a recess was taken until 1:30 p.m. of the same day.)

[fol. 657] Afternoon Session

Comm. Patterson: Come to order, gentlemen. You may proceed.

Paul L. Young resumed the stand and testified further as follows:

Direct examination (continued).

By Mr. Hillyer:

Q. Mr. Young, in making a pencil notation of some of the figures you gave this morning, they didn't add up. I

thought maybe I was wrong. Do you have a correction to make?

A. Yes, in the cost of maintaining——

By Comm. Patterson:

Q. What exhibit are you talking about? 156?

A. Yes, sir, page 2 of the maintenance of equipment. It is not on there. When we were talking of maintenance of cars, I gave some of my detail sheets' figures and I said that the cost, labor cost amounted to approximately $7,600. That should be $36,618.50, is the cost of labor and materials used in the maintaining of these cars and the depreciation on return on investment that I gave in those figures we added to those would give a total of $85,000.00.

By Comm. Patterson:

Q. Where is that item?

A. It is not on there. It was in my discussion of the ownership and maintenance of cane cars.

[fol. 658] Mr. Gwathmey: May I ask something off the record?

Comm. Patterson: Off the record.

(Discussion off the record.)

Comm. Patterson: On the record.

Mr. Hillyer: Do you want cross-examine Mr. Young later?

Mr. Gwathmey: I understand it is agreeable to have Mr. Young stand aside for the time being?

Comm. Patterson: That is correct. You are excused temporarily, Mr. Young.

The Witness: All right, sir.

(Witness excused.)

Comm. Patterson: Do you have an attorney, Mr. McGill?

Mr. Hillyer: Mr. McGill is appearing without counsel and wants to make a statement.

Comm. Patterson: You will proceed, Mr. McGill.

W. M. McGILL was sworn and testified as follows:

Direct examination.

By Mr. Hillyer:

Q. State your name and address first.

A. My name is W. M. McGill. My address is Perry, Florida. I——

Q. And your occupation?

A. I am Traffic Manager for Liveoak, Perry and Gulf Railroad Company and also the South Georgia Railway Company.

Direct statement.

[fol. 659] Mr. McGill: The position of our two short lines is that we are opposed to the increases or any further increases than those presently permitted by the Florida Railroad Commission and we are in favor of the continuation of the exceptions on certain raw materials moving from the forest to the mills for processing, such as logs, pulpwood, sugar cane, fertilizer materials and so forth. That proceeding before the Florida Railroad Commission, in which the railroads were proposing increases on the rates on lumber and forest products, I testified on behalf of the Live Oak, Perry and Gulf Railroad Company in opposition to those increases.

I testified that the Live Oak, Perry & Gulf Railroad Company was then a 75 percent lumber carrying railroad and absolutely dependent upon this traffic, that one important commodity after another has been diverted from railroads to truck, and that the loss of the forest products traffic would not leave enough to justify the continuation of this railroad.

That was in Florida Railroad Docket 1418, transcript 374, 377 and 378.

In 1948 our revenue was 70.82 percent derived from forest products as to the total revenue of the railroad. In this same proceeding Mr. F. M. Yarborough, then General Freight and Passenger Agent of the South Georgia Railway Company, supported me in my position at that time in representing that railroad. And he testified that lumber is, was the principal commodity which furnishes revenue

[fol. 660] to the South Georgia Railroad, that from 1928 to 1940 his lumber traffic declined 53.1 percent and crate material declined 61.4 percent, that mill equipment in Georgia on that line had already discontinued shipping by rail, that lumber shipments from Greenville, Florida, to Florida points was practically lost to trucks. The mill at Boyd was the principal source of revenue for lumber traffic. And other mills would divert their traffic to trucks if the rates on lumber and forest products should be increased and it would practically put his railroad out of business. That is transcript 1138.

In 1948 they derived 59.94 from total volume for forest products.

In this same proceeding before the Florida Railroad Commission Mr. O. O. Miller, President of the Marianna-Blountstown Railroad, a known lumber line in West Florida, testified 39 percent of revenues derived from lumber traffic and 28 from Florida intrastate traffic and that the proposed increase would divert traffic to trucks and barge and loss of intrastate lumber business would cause their line to cease operations entirely and this wasn't *wasn't* any question about that. He asked the Florida Commission not to allow any increases regardless of what kind of scale may be adopted, transcript 1200.

Mr. Gwathmey: If the Commissioner please, I am going [fol. 661] to object to the injection into this record of testimony given by somebody in the proceeding before the Florida Commission. I don't understand that the witness represents the Mariana-Blountstown Railroad and there is no representative of that railroad here. We have no opportunity to question them.

Mr. Hillyer: May I say a word on that subject? We think this Commission should know what the Florida Commission had before it in a general way, particularly as to the attitude of the railroads, and Mr. McGill is showing here there were five railroads which are dependent upon Florida products for a living who objected to the increases before the Florida Commission and then he is going ahead to present his position here, but we think that is an important point to consider in a Thirteen Section case.

Mr. Gwathmey: I have no objection to his stating five railroads objected before the Florida Commission to the increases, but I do object to his undertaking to say what they said and the views they expressed.

Comm. Patterson: Confine your testimony to the position they took before the Florida Railroad Commission. You can let the testimony go in, but otherwise, I think the testimony has no place here.

A. Then——

Comm. Patterson: The transcript of the Florida Railroad Commission is not in this record. If you confine it to the [fol. 662] position they took, it is all right.

A. Shall I then—Inasmuch as I have stated the position of all except the Apalachicola & Northern—Mr. N. C. Edwards, appearing in the same case took a similar position as the other railroads did before the Commission in opposing any further rate increases.

By Mr. Petteway:

Q. Who did Mr. Edwards appear for?

A. Apalachicola & Northern Railroad and it is our understanding that the last two named railroads of the ones I mentioned, have not changed their position inasmuch as they were not shown as a party to the carriers' petition in this particular proceeding.

By Comm. Patterson:

Q. Are all those railroads industry owned railroads, do you know?

A. No, sir, they aren't. They might have some industry relations but I wouldn't think that either of the two I am not representing——

Q. Do you know?

A. Off the record.

Comm. Patterson: On the record.

A. Let me say this first and then I will put on the record. The only one, the Marianna-Blountstown Railroad is one that duPont interest bought in connection with some other lands. In other words, they gave it to them and they are

still operating it, but he has, as I understand it, he has no industry at all on that particular railroad.

[fol. 663] Comm. Patterson: We can find out. You can go ahead.

A. Yes, sir, I am sorry about that.

In this proceeding before the Interstate Commerce I am testifying for the South Georgia Railway Company and for Live Oak, Perry & Gulf Railway Company in opposition to any increase on rates on lumber and forest products including logs.

Since the time a Florida Commission authorized a certain scale of rates to be applied on lumber intrastate in Florida based upon the evidence in that case, they have authorized a 20 percent increase under Ex Parte 162 and a 20 percent emergency charge under Ex Parte 166, which is in addition to the scale prescribed at that time. And also have authorized 20 percent increase as an emergency charge on logs under Ex Parte 166.

We have had other experiences which lead us to take this position. For example, a recent survey was made to determine the amount of new articles moved by truck during the year 1948 and it was found nationally 72 percent of the entire movement by truck and they anticipated that this percentage by truck would increase materially in 1949. That was in a front-page write up in the Wall Street Journal recently.

By Comm. Patterson:

Q. Is that your authority for the position you are taking? The Wall Street Journal?

A. That is right, to show the trend of the traffic. I attribute this to high rail rates and it is further borne out by [fol. 664] recent adjustment on automobiles in which they are reducing the rates to further meet truck competition and if the Commissioner would like to have it, I have the specific rates involved. It is rather general.

By Comm. Patterson:

Q. You are testifying ahead.

A. Which is also indicative that the rates are in fact too high and that the railroads are attempting to charge more

than the traffic can bear and that it is a mistake of railroad management to increase—to impose further increase on traffic which is susceptible to truck competition.

In a recent clipping from the Jacksonville Times-Union, they have a write-up showing the amount of citrus fruits being trucked from Florida, out of the Jacksonville Times-Union, June 7, 1949, covering the 1948 movement. It says truck shipments were approximately 40 percent of this year's total, 86,131 trucks. Last season it was 23 percent of a 68,421 total. That is covering citrus.

Mr. Hillyer:

Q. That last figure you gave was cars? 68,000 cars?
A. Yes.

By Mr. Petteway:

Q. The Jacksonville Times-Union?
A. Yes, sir. June 7th.
Q. Do you know who owns that newspaper?
A. No, sir, I don't.

Recently, leaf tobacco rates have been increased generally [fol. 665] throughout the Southeast from producing origins to redrying plants and destinations to meet truck competition to prevent the complete diversion of this traffic to trucks.

By Comm. Patterson:

Q. Increased?
A. Excuse me. Did I say "increased"? I meant to say decreased.

On watermelons both of these lines suffered a severe loss of revenue due to diversion of trucks, even before the 20 percent increase.

There was a mill engaged in the lumber business at Mayo, Florida, on the Line of the Live Oak, Perry and Gulf Railroad Company. That movement has been substantial for a number of years until the 20 percent increase was permitted by the Railroad Commission of Florida. About the time that increase went in this mill ceased its movements by rail and went to trucks.

These are the kinds of experiences we have been having which lead us to the conclusion that any increases in the rates on lumber and forest products, including logs, and other raw material would threaten the existence and operation of short lines such as Live Oak, Perry & Gulf Railroad Company and I believe would be to the other two short line railroads aforementioned.

There's been enormous changes. No shipments to the mills on our line. For example to points such as Alabama, [fol. 666] Birmingham, where business was moving by rail is now moving by trucks by reason of high interstate rates from our line to Birmingham.

We would like to reduce those rates if we could.

There is now a joint conference set for August 9 of this year in Atlanta between the southern railroads and the southeastern lumber industry with a view of adjusting rates in the Southeast in an endeavor to recover the vast forest tonnage now moving by truck.

In a similar proceeding against the State of Georgia, the Central of Georgia Railway, Georgia Railroad, and the Atlanta and West Point Railroad, and possibly others, have announced their withdrawal to the petition in that State.

Mr. Gwathmey: Pardon me. What was that statement? May I have that read back?

(Last answer was read back by the reporter.)

Mr. Gwathmey: If the Commissioner please, I happen to represent those railroads. I know of no proceeding of that sort that has been instituted in Georgia. I don't know the authority for the witness' statement.

By Mr. Gwathmey:

Q. Where do you get your authority, Mr. McGill?

By Comm. Patterson:

Q. Do you know that to be a fact or did somebody tell you?

A. The only way I know it is a fact, I have it in writing from a member of the Southern Freight Association. That [fol. 667] is as far as I can go, because we are only members of the Florida-Georgia Freight through short line.

Mr. Gwathmey: No 13 Section has been filed with the Commission in respect to Georgia rates.

A. Central Georgia was supposed to have announced their withdrawal on March 28 and the Georgia Railroad and the A&WP Railroad on March 30th.

If I'd be permitted to make this remark: the reason that I have made mention of that is that it seems conclusive that the Southern Carriers themselves now, particularly some of them, realize the rates are too high and the traffic is going to trucks.

By Comm. Patterson:

Q. That is your opinion?

A. That is my opinion.

The carriers in the South, operating within a state over an interstate route, have announced their intention to meet the intrastate over such interstate route. It will be voluntary waiving of increases granted by the Interstate Commerce Commission to gain traffic from a friendly competitor.

I believe that is all.

Comm. Patterson: Is there any examination of this witness by anyone?

Mr. Gwathmey: I want to ask a question, please.

Comm. Patterson: Go ahead.

Cross-examination.

[fol. 668] By Mr. Gwathmey:

Q. Mr. McGill, you said, I believe, that you are appearing here today as Traffic Manager of Live Oak, Perry & Gulf Railway and the South Georgia Railway, did you not?

A. That is correct.

Q. Did any of the other short line roads which you mentioned authorize you or instruct you to appear here today on their behalf?

A. No, sir.

Q. What important lumber companies operate on the lines of the two roads for which you are appearing?

A. Well, you have the South Georgia. You have the largest shipper on that line in Florida is at Boyd, Florida. They ship locally within Florida.

Q. What is the name of the company please?

A. Weaver-Lothrage Lumber Company.

Q. What other important lumber operators are located on the LOP&G or the South Georgia?

A. You have Brooks-Scanlon, Inc. at Foley on the LOP&G and you have on the LOP&G, Grainger Brothers at Perry. You have at Mayo, J. R. Bolen Lumber Company and Boatwright and Williams Lumber Company.

Q. Are you connected in any way with the Brooks-Scanlon Lumber Corporation?

A. Yes, sir.

[fol. 668a] Q. In what capacity?

A. Traffic Manager.

Q. I understand you to say, Mr. McGill, that you are Traffic Manager of the Brooks-Scanlon Lumber Corporation in addition of being Traffic Manager of the LOP&G and the South Georgia Railway Company, is that right?

A. Right.

Q. Are you testifying in this case as Traffic Manager of Brooks Scanlon?

A. No, sir.

Q. Does the Brooks Scanlon Lumber Company have any interest in LOP&G Railway?

A. Very mild.

Q. Do any of the stockholders of the Brooks Scanlon Company also own stock of the LOP&G Railway?

A. I think that is true, but you would have to refer to the annual reports to determine just what that is. I am not familiar with it.

Q. Isn't it a fact that the majority of the stock of the LOP&G, if not all, is owned by the same interests that own Brooks Scanlon Lumber Company?

A. I don't believe I could answer that.

Q. Do you know?

A. No, sir, because we have individual stockholders and each company does have stock in the other. To what extent [fol. 669] that is, I don't know.

Q. Isn't it a fact that the South Georgia stock is also owned by Brooks Scanlon Corporation or some officers or stockholders of that company?

A. They own minor stock.

Q. Is there any connection between the South Georgia Railway and any of the other lumber companies operating on either of these two railroads?

A. No, sir.

Q. None whatever?

A. State that question again?

Mr. Gwathmey: Read the question.

(The last question was read by the reporter.)

A. I'd have to qualify that statement. You just asked the question if the Brooks Scanlon had interest in the South Georgia. To that extent they would have interest in the South Georgia, but none other than what you had previously mentioned.

Mr. Gwathmey: Would you read me that last statement, please?

(Last answer was read by the reporter.)

Q. My question was whether they have any interest in the South Georgia Railway.

A. I just answered that before then; yes, but minor.

Q. Now, I ask you do any of the other lumber companies [fol. 670] operating on these railroads have interest on the South Georgia Railway?

A. Not that I know.

Q. Do you know the facts?

A. I am rather certain, but I wouldn't say definitely. I don't think so.

Q. What've your two railroads done about the interstate increases. Did you make them applicable in connection with interstate shipments moving to or from points on your lines?

A. In some instances.

Q. In what instances?

A. We have certain raw materials and we have stated here that going from the forest to the mills, certain things, such as logs, pulpwood and things of that kind, your normal traffic, but to the extent of our local rates which doesn't move any traffic.

Mr. Gwathmey: That's all.

Comm. Patterson: You are excused.

Mr. Petteway: Just a minute. I'd like to make an inquiry of the Commission with reference to the order calling this investigation. Am I correct in the understanding that all of the railroads operating in Florida are made respondents to this proceeding?

Comm. Patterson: Yes.

Mr. Gwathmey: I might say that I prepared the carriers' [fol. 671] petition and my instructions were to include all the railroads in Florida in the petition. I didn't undertake to go around and include all these little short line railroads, but I don't understand it is encumbent on the carriers to name all the railroads. Any one-section company could file the petition. The petition is filed on behalf of the roads listed in the appendix.

Exam. Mattingly: Regardless of what the petition said, the Commission said who the respondents were. We said all of them.

Comm. Patterson: They made them all respondents.

By Mr. Petteway:

Q. You were invited to participate in the petition?

A. Yes, sir.

Q. You declined?

A. Yes, sir.

Q. As a respondent to this proceeding, you have appeared here in opposition to the proposed increases?

A. Correct.

Mr. Petteway: That is all.

By Mr. Hillyer:

Q. You made reference to the mill at Boyd and some lumber company, some name and then Lothrage?

A. Weaver-Lothrage.

Q. Is that the same company for whom E. L. Loughridge testified yesterday?

[fol. 672] A. That is correct.

Q. I think the inference from your testimony as to LOP&G, that most of the traffic was traffic of Brooks Scan-

lon—do you know how much the revenue of Brooks Scanlon was?

A. During 1948, of the total revenue of LOP&G, 19.2 percent of the total revenue was from traffic originating with or consigned to Brooks Scanlon, Inc.

I might add for the benefit of the record that from Brooks Scanlon, based on the total revenues, the percentage of Brooks Scanlon's revenue to the South Georgia Railway was less than eight percent of their total revenues.

Q. Does the Brooks Scanlon have its own logging railroad?

A. Yes, sir.

Mr. Hillyer: That's all.

Comm. Patterson: You are excused.

(Witness excused.)

Mr. Ribe: Following Mr. Petteway's inquiry, I would like to inquire if there is anyone with the respondent that has any authority to present any evidence or testimony for the Mariana-Blountstown or the Apalachicola Northern, to represent them in any way?

Mr. Gwathmey: I have received no specific instructions from them one way or the other.

Exam. Mattingly: Do you want to correct this exhibit of yours while you are on your feet?

[fol. 673] Mr. Ribe: On page 19 of Exhibit No. 107, opposite McKinnon, the figure 50 should be inserted in Column 3 where there is a blank. Now, in column 4, the figure 60 cents should be inserted opposite stations Gatewood Junction through Pine, Florida. In Column five, the figure 75 cents should be inserted opposite the stations Gatewood Junction through Pine.

Now, the asterics reference mark which is now shown in the exhibit in columns four and five only has application in connection with stations Powers through Muskogee.

In explanation of this correction, traffic moving from stations Gatewood Junction and north is interstate traffic. The Frisco Railroad between Muskogee and Gatewood Junction goes through a small portion of the State of Alabama. There are no railroads on the Frisco in Alabama between Muskogee and Gatewood Junction and in making

up the exhibit, I overlooked that the interstate increased had to be added to stations Gatewood Junction through Pine.

Mr. Gwathmey's inquiry yesterday as to whether or not from any Florida stations we had any traffic that moved by interstate routes brought this to my mind.

PAUL L. YOUNG was recalled to the stand and testified further as follows:

Cross-examination.

By Mr. Gwathmey:

Q. Am I correct in understanding that you are not regu- [fol. 674] larly employed by the United States Sugar Corporation, but have been specially obtained by that company for purposes of this proceeding?

A. Yes, sir.

Q. And you have prepared this exhibit 156 on the basis largely of information furnished to you by Mr. Patterson with Jones and other officials of the Sugar Corporation, is that right?

A. Well, it was furnished by them from the accounts that they maintain.

Q. They gave it to you?

A. Yes, sir.

Q. I understood you to testify that the rates of pay for trains and maintenance employees, as paid by the Sugar Corporation is generally about eighty percent of those paid by the Coast Line and of the Florida East Coast; was that your statement?

A. No, sir, I don't think it was.

Exam. Mattingly: It was another witness.

By Mr. Gwathmey:

Q. Another witness perhaps made that statement. Do you know what the facts are?

A. The transportation expenses, direct expenses—wait a minute. Let me restate that. The salaries of the train crews is the exact salary that is paid by the railroads.